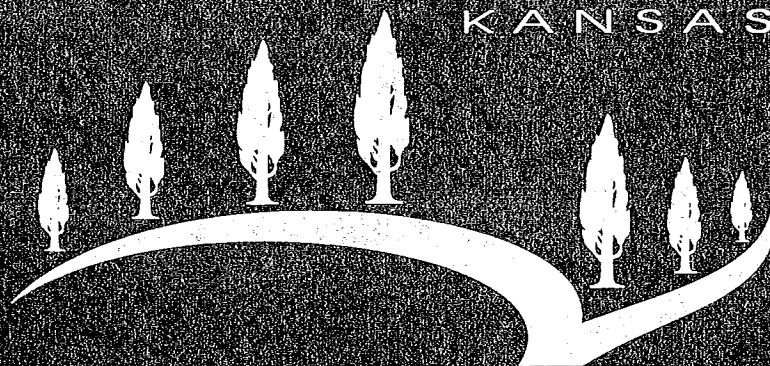


CITY OF  
**GARDNER**  
KANSAS



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the fiscal year ended  
December 31, 2008**

CITY OF GARDNER, KANSAS

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COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

Prepared by:

Finance Department  
City of Gardner, Kansas

CITY OF GARDNER, KANSAS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

Year Ended December 31, 2008

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CITY OF GARDNER, KANSAS

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CITY OF GARDNER, KANSAS

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CITY OF GARDNER, KANSAS

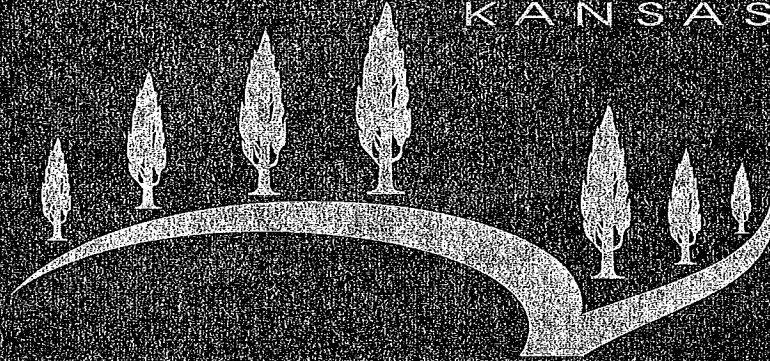
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CITY OF  
**GARDNER**  
KANSAS



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the fiscal year ended  
December 31, 2008

**INTRODUCTORY SECTION**





## FINANCE

120 E. Main, Gardner, Kansas 66030 (913) 856-7535

June 26, 2009

The Honorable Mayor, City Council, Citizens,  
Taxpayers, and Other Interested Parties of the  
City of Gardner, Kansas:

The Comprehensive Annual Financial Report (CAFR) of the City of Gardner (the City) for the fiscal year ended December 31, 2008 is hereby submitted. This is the fifth year that the City has prepared a CAFR, and staff has submitted this CAFR for a Certificate of Achievement for Excellence in Financial Reporting with the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that conforms to program standards. The CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for one year only. We believe this report conforms to the Certificate of Achievement program requirements.

The report was prepared by the City's Finance Department. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the government. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City is responsible for establishing and maintaining internal control designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal requirements of Kansas Statutes. Activities of the General Fund, special revenue funds (unless exempted by a specific statute), enterprise funds, and the Debt Service Fund are included in the annual appropriated budget, as required by Kansas Statutes. Spending in funds which are not subject to said Statutes are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the City.

As demonstrated by the statements and schedules included in the Financial Section of this report, the City continues to meet its responsibility for sound financial management.

Kansas Statutes Annotated 75-1122 requires an annual audit of the accounts, financial records, and transactions of all administrative departments of the City by independent certified public accountants. The accounting firm of Berberich Trahan & Co., P.A. was selected by the City Council. The auditor's report on the financial statements is included in the Financial Section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

### **Profile of the Government**

The City of Gardner was established on March 16, 1858 and came under the jurisdiction of the State of Kansas in 1861. The City was incorporated as a Municipal Corporation of the third class in January 1887 and as a Municipal Corporation of the second class in December 2002. The City is located in Johnson County, Kansas, along Interstate 35, about 30 miles southwest of downtown Kansas City, Missouri. Johnson County, Kansas is considered to be the top growth area in the state, and one of the top growth areas in the country. Because of Gardner's location on the edge of the Kansas City metropolitan area, it serves as a suburban rural living area for individuals employed in the metropolitan area and also continues to serve the surrounding rural agricultural community.

The City has a Mayor-Council-Administrator form of government. There are five members of the City Council; the Mayor and Council Members are elected on an at-large ballot to serve a four-year term on a staggered basis.

The City provides a full range of services including police and fire protection through its combined Public Safety Department, and ambulance services through Johnson County Med-Act. The City also provides municipal electric, water, and wastewater services, street maintenance, and engineering through its Public Works department. Other City of Gardner services include: planning, zoning, and codes enforcement, comprehensive parks and recreational activities and facilities, and general administrative services.

The Governmental Accounting Standards Board has established the criteria to determine the financial reporting entity for a municipal government's financial report. This criterion is used to examine the relationship of the City to other associated but legally separate entities to determine if their inclusion in this report would be necessary to fairly present the financial position of the City. This criterion generally has to do with the financial benefit or burden and levels of influence over the activities of these associated, but legally separate, entities.

Using said criterion, it was determined that the City has both a blended component unit and a discretely presented component unit. The blended component unit - the Public Building Commission (PBC) - although a legally separate entity, is, in substance, part of the City's operations. The discretely presented component unit is the Airport Association, which operates the municipal airport.

## **Economic Condition and Outlook**

In the past decade, Gardner has been recognized as having the highest percentage of growth among Kansas communities with a population greater than 10,000. With its location on Interstate 35, and on a major rail transit route, and adjacent to New Century AirCenter, a premier multi-modal business park, the City enjoys a unique combination of interstate, air and rail infrastructure.

In 2008, the City annexed an additional 1176.42 acres into its corporate limits. Currently, Gardner is approximately 11.73 square miles in size. The City installed 4.5 miles of new streets, 3.3 miles of new wastewater lines, 1.4 miles of new storm sewer, .3 miles of water lines, .5 miles of new overhead electric distribution and transmission lines, .25 miles of new underground electric lines, and 49 new street lights. In light of the downturn in new home construction across the county, the City, while decreasing from prior year, still posted modest numbers in building permits. There were nine subdivisions with housing construction activity. The number of building permits for single-family home construction decreased from 192 in 2007 to 79 in 2008, and multi-family home construction decreased from 190 in 2007 to 10 in 2008.

The City welcomed nearly 996 new residents to the community or about three new neighbors a day on average. There are approximately 18,096 people who now call Gardner home. This is a 37% increase from just five years ago, where the number of Gardner citizens was about 13,247.

Commercial growth slowed in 2008. Fuel Express began construction on the west side of town. Remodeling took place at Gardner Family Care and at Wellness Center. Several tenant finishes occurred in strip malls.

Preparations continued for a 1,000 acre, \$715 million regional intermodal facility and logistics park on Gardner's western edge. Annexation, project and financing agreements between the City, Burlington Northern Santa Fe Railroad, the project developer, The Allen Group-KC, and Johnson County were approved by the City Council in 2008. The intermodal facility is expected to begin construction in 2009. BNSF is awaiting approval of a 404 environmental permit by the Army Corps of Engineers.

All of this growth has contributed to an increase in the City's assessed valuation of 85% in the last five years alone. Wealth levels and housing values exceed state averages, and Johnson County's June 2008 unemployment rate at 4.3% was slightly below the state's rate of 4.4%.

All of these factors, combined with quality schools, affordable housing, sound management and governing body leadership, and a strong community spirit point to a continued positive economic outlook for years to come.

## **Major Initiatives**

### ***2008 Initiatives***

Construction of the approximately 5,000 square foot Plum Creek Public Safety Station No. 2 was completed in 2008, and opened in February. The facility houses a fire pumper purchased in 2005 and a new Bronto 100 foot rescue ladder truck that was delivered early in 2007. Staffing includes the Fire Captain and four officers, allowing for improved response times in the southern part of the city.



The new aquatic facility continued in 2008 as a popular area attraction. Attendance levels increased as 101,727 guests were welcomed. Record numbers enjoyed a lazy river, multiple water slides, floatable walk, spray grounds, climbing net, zero depth entry, and a toddler pool. Celebration Park opened in April of 2008. The 83 acre complex includes baseball, softball, football, and soccer fields, as well as walking paths, a lake, shelters, concession and bathroom facilities. The City also received its sixth Tree City USA Award from the National Arbor Day Foundation.

In 2008, the City spent over \$430,000 improving 167<sup>th</sup> Street between Center and Waverly Road. Another \$40,000 was spent reconstructing the south side of the intersection at 175<sup>th</sup> and Waverly Road.

Extension of Lincoln Lane west of Moonlight Road was completed in 2008 to allow additional access to the Moonlight Plaza shopping center, especially during construction planned to widen Moonlight Road to four lanes from 167<sup>th</sup> Street to Warren. Moonlight Road construction is scheduled to begin in the Spring of 2009. In coordination with that project, the City will ease traffic congestion at the Santa Fe and Moonlight Road intersection by relocating Santa Fe Street to the south.

Construction of a new elevated water storage tower was completed in the northwest area of the city. It stands approximately 200 feet and has the capacity of 1 million gallons. The tower will increase storage capacity, as well as improve water pressure for City residents.

The new North Lift Station was brought on line in early 2008. It serves the growing northwest section of the city. Construction also completed on the conversion of the former Bull Creek Wastewater Treatment Plant into a lift station, enabling all wastewater to be most efficiently treated at the City's award winning Kill Creek Wastewater Treatment Plant.

The City performed a study of its electric utility to determine if it would benefit the citizens if the utility were sold to a private utility. A decision was made to keep the utility and to form an Electric Utility Board to oversee its operations.

One new position was added in 2008 to better serve Gardner's citizens. The Electric Utility added an Executive Assistant.

The City's Utility department continued adding customers to its budget billing program. At the end of 2008, 392 customers had enrolled.

Veterans Park Trail was rehabilitated in the fall of 2008, replacing concrete with asphalt.

Major stormwater improvements neared completion at the Doublegate subdivision in 2008. Over \$500,000 in Johnson County grant proceeds were used, along with City funds. This project was identified in the City's stormwater study and was necessary to minimize the potential for flooding based on the newly adopted Johnson County Ultimate Conditions Floodplain Study.

### ***Future/Planned Initiatives***

In 2009, Midwest Commerce Center will begin development of a 151-acre industrial park. The initial project will be a 1.1 million-square-foot distribution center built by outdoor recreation manufacturer, Coleman. The warehouse is anticipated to create 200 new jobs. This warehouse is the City's first project related to the aforementioned pending BNSF intermodal facility.

The City is seeking land to purchase for a new Parks/Public Works Operations Facility, which may be purchased in the future. This area will house parks and public works equipment and provide a base for operations.

The City budgeted \$54,000 in 2009 for replacement of pool drains at the Aquatic Center, in accordance with new federal mandates. The City is also undergoing a Storm water facilities study in 2009.

The City will continue working with a developer to construct a Lowe's Store at 175<sup>th</sup> and Clare Road. This project has temporarily been put on hold due to the economic downturn.

### ***Financial Planning***

In 2008, the electric utility's franchise fee it transfers to the General Fund was lowered from 7% of revenues to 5%. This change was to charge the City's electric utility the same percentage of revenues as the franchise fee paid by Kansas City Power and Light for its service area inside the city limits. The water and wastewater funds no longer pay a franchise fee to the General Fund, helping to keep rates in line with our competitors serving the surrounding area. However, each fund pays a small amount to cover human resource and accounting services.

The City continues to assess its utility rates in relation to current and future costs. Electric rates were increased an average of 3% for all rate classes. The City also reviewed the rates for water and wastewater services in 2008 and increased both base rates by 5%.

The City will continue to update its costs studies on a biannual basis. In addition, the City will continue to perform overall needs assessments on future facilities and rates.

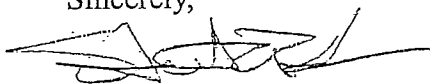
With the growth Gardner is experiencing, building infrastructure for the City's utility systems continue to be a major focus. The City assesses impact fees on new development in keeping with the idea of having new growth pay its own way.

The City began work on a Transportation Master Plan in 2008 to address future transportation needs and growing traffic congestion concerns in Gardner.

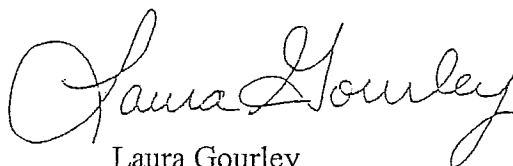
### **Acknowledgements**

The preparation of this report could not have been accomplished without the support and cooperation of the Governing Body, Administration, other City departments, external auditors, and the efficient, dedicated efforts of the entire staff of the Accounting Department. In addition, Tom Riederer of the Southwest Johnson County Economic Development Corporation significantly contributed to the Statistical section of this document. Credit must be given to the Governing Body for their unfailing support for maintaining the highest standards of professionalism in the management of Gardner's finances.

Sincerely,



Stewart Fairburn  
City Administrator

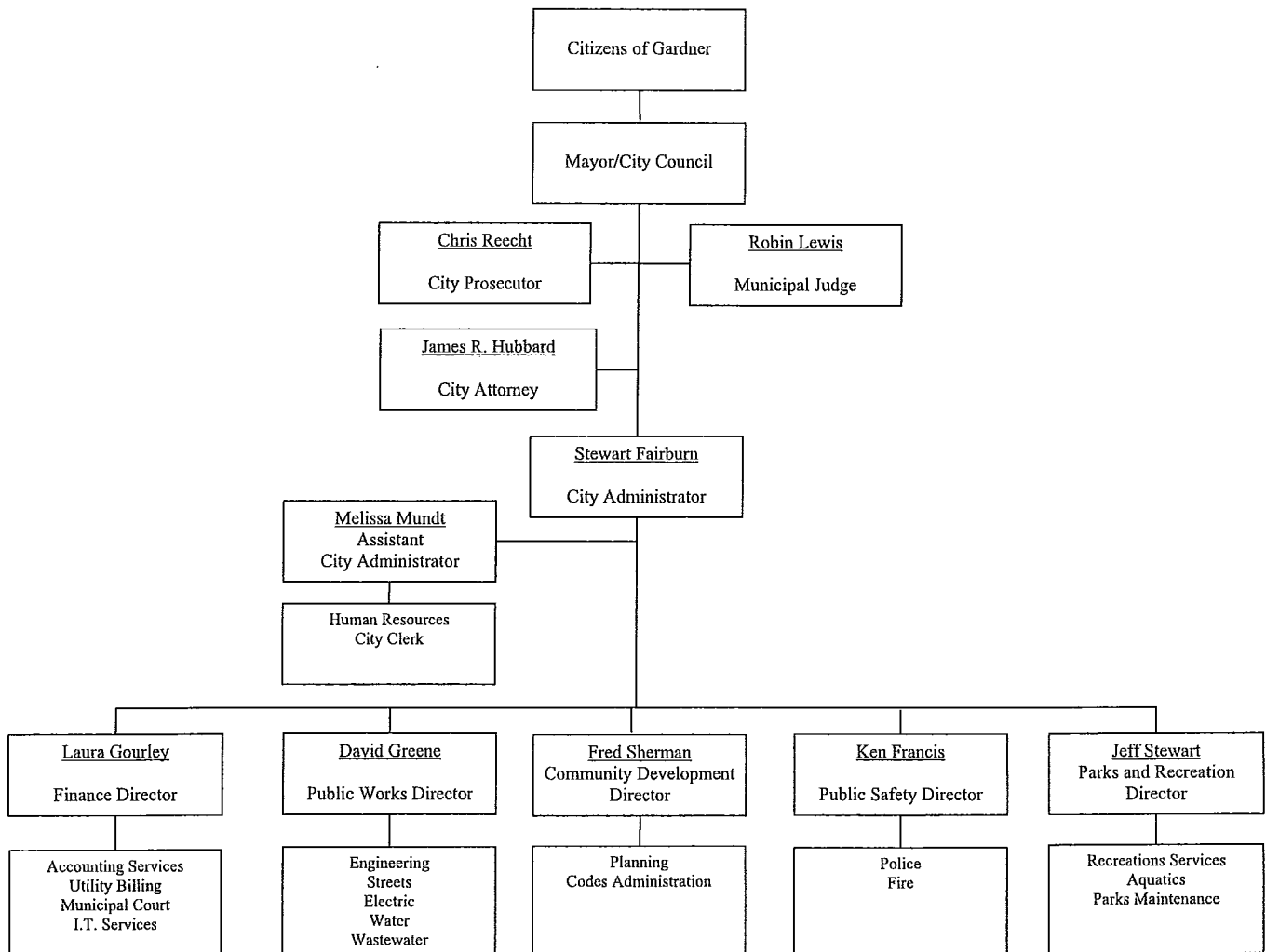


Laura Gourley  
Finance Director

# CITY OF GARDNER, KANSAS

## ORGANIZATIONAL CHART

December 31, 2008



City of Gardner, Kansas  
List of Elected and Appointed Officials  
December 31, 2008

Elected Officials

		<u>Term of Office</u>
Mayor	David Drovetta	2009-2013
Council President	John Shepherd	2007-2011
Council Vice President	Todd Winters	2007-2011
Councilmember	Mary Peters	2009-2013
Councilmember	Dan Thompson	2009-2013
Councilmember	Vacant	2007-2011

Appointed Officials

City Administrator	Stewart Fairburn
Assistant City Administrator	Melissa Mundt
Municipal Judge	Robin Lewis
City Prosecutor	Chris Reece
City Attorney	James R. Hubbard
Finance Director	Laura Gourley
Public Works Director	David Greene
Community Development Director	Fred Sherman
Public Safety Director	Ken Francis
Parks and Recreation Director	Jeff Stewart

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Gardner  
Kansas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



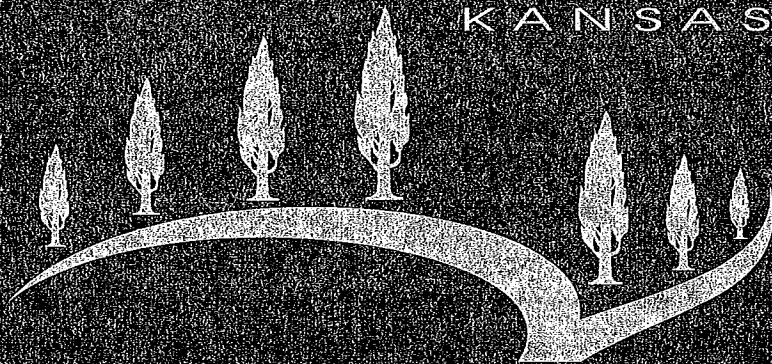
A handwritten signature in black ink, appearing to read "K. L. R.", is positioned above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enen", is positioned above the title "Executive Director".

Executive Director

CITY OF  
**GARDNER**  
KANSAS



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the fiscal year ended  
December 31, 2008**

**FINANCIAL SECTION**





BERBERICH TRAHAN & CO., P.A.  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor, City Administrator  
and City Council  
City of Gardner, Kansas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gardner, Kansas (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and applicable provisions of the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions. The financial statements of the Airport Association were not audited in accordance with *Government Auditing Standards*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gardner, Kansas, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 16 and the Schedule of Funding Progress on page 74 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Berberich Trahan & Co., P.A.*

June 26, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Gardner (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of 2008 by \$76,596,685 (*net assets*). Of this amount, \$10,555,567 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$2,651,465 from the prior year.
- As of the close of 2008, the City's governmental funds reported combined ending fund balances of \$(539,552), an increase of \$721,029 from the prior year's negative balance of \$(1,260,581). The City experienced an increase of over \$1.5 million in governmental fund assets during 2008. The increase to the governmental assets is due to the increase in special assessment receivables.
- At the end of 2008, the fund balance for the General Fund was \$2,999,574, or 31% of General Fund expenditures.
- In 2008, the City completed several benefit district projects totaling \$3,215,000, water and wastewater projects totaling \$9,110,000, a second public safety station for \$1,640,000 and continued progress on many other infrastructure projects. The City was also approved for a state revolving loan from the Kansas Department of Transportation in the amount of \$6,000,000 for two phases of the Moonlight Road widening project/relocation of Santa Fe Street. In line with completion of multiple capital projects, the City's long-term liabilities increased \$10.5 million in total.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The City's financial report consists of the following parts:

- Management's discussion and analysis;
- The basic financial statements, which include the government-wide and the fund financial statements, along with the notes to the basic financial statements;
- Combining and individual statements and schedules for nonmajor funds;
- Statistical section

The basic financial statements of the City include the government-wide financial statements and the fund financial statements. The notes to the financial statements follow the basic financial statements and are essential for the reader's understanding of the financial statements. Other supplementary information, including the statistical section, is also included at the end of this report to provide additional information for the reader.

## ***Government-wide Financial Statements***

The government-wide financial statements present the results of the City's operations using the accrual basis of accounting, the basis of accounting used by private-sector businesses. These statements focus on the long-term financial picture of the City as a whole.

The *Statement of Net Assets* reports all of the City's assets and liabilities. Net assets, the difference between assets and liabilities, are an important measure of the City's overall financial health. Over time, the increases and decreases in net assets can be monitored to determine whether the City's financial position is improving or deteriorating.

The *Statement of Activities* shows how the net assets have changed during the fiscal year. The unique feature of this statement is how it shows the revenues and expenses related to specific programs and how much of the programs were supported by the general taxes of the City. Since this statement is prepared on the accrual basis of accounting, all revenues and expenses are included, regardless of when cash is actually received.

Both statements show the operations of the City broken down by governmental activities and business-type activities. Governmental activities are the operations of the City generally supported by taxes, such as public works, public safety, parks and recreation, and general administration. Business-type activities are operations of the City that are intended to recover all or a significant portion of their costs through user fees and charges. These consist of the four utilities the City operates: electric, water, wastewater, and stormwater.

## ***Fund Financial Statements***

The City uses three types of funds to manage its resources: Governmental Funds, Proprietary Funds, and Fiduciary Funds. A fund is a fiscal entity with a set of self-balancing accounts recording financial resources, together with all related liabilities and equity, and the changes therein. These accounting entities are separated for the purpose of carrying on specific activities or attaining certain objectives in accordance with regulations, restrictions, or limitations.

*Governmental Fund* financial statements are prepared on the modified accrual basis. Under the modified accrual basis, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred, with the exception of long-term debt and other similar items, which are recorded when due. The focus, therefore, is on the short-term financial picture of the operations reported rather than the City as a whole. Most of the City's basic operations are reported in the Governmental Fund financial statements. The information reported in these statements can be compared to the governmental activities information in the government-wide statements. The reconciliation at the end of the fund financial statements details the relationship between the two types of financial statements.

The City maintains 40 individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund, and Kill Creek Sewer fund, all of which are considered to be major funds. Data from the other 37 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary Funds* are used by the City to account for activities that operate similar to commercial enterprises found in the private sector. Funds that charge fees for services provided to outside customers including other local governments are called Enterprise Funds. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Funds that charge fees for services provided to departments within the reporting government are known as Internal Service Funds. Proprietary Funds use the accrual basis of accounting, thus the only reconciling items needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements relate to the elimination of internal service fund activity.

The City has four enterprise funds: Electric Fund, Water Fund, Wastewater Fund and the Storm Water Fund. The City has four Internal Service Funds: Risk Management Fund, Information Technology Services Fund, Building Maintenance Fund, and the Utility Billing Services Fund. The Electric Fund, Water Fund, and Wastewater Fund are the only funds being considered major funds for presentation purposes.

*Fiduciary Funds* are used by the City to account for resources held by the City for the benefit of a third party. Because the resources of these funds are not available for the City's operations, they are not presented in the government-wide financial statements.

### ***Notes to the Financial Statements***

The notes to the financial statements are an integral part of the basic financial statements because they contain valuable additional information necessary for gaining a complete understanding of the City's financial statements.

### ***Other Information***

In addition to the financial statements and the notes described above, required supplementary information concerning the City's progress in funding its obligation to provide postemployment benefits to its employees and supplementary information regarding non-major funds have been included to give the reader further information.

## ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

### *Analysis of Net Assets*

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities (net assets) by \$76,596,685 at the close of 2008. The City's net assets increased by \$2,651,465 from the prior year, with governmental activities accounting for \$2,881,682 of the increase, and business-type activities accounting for \$(230,217) of the increase.

#### City of Gardner, Kansas Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$22,271,293	\$16,488,644	\$9,757,711	\$10,479,435	\$32,029,004	\$26,968,079
Capital assets	48,386,921	46,610,092	92,071,115	92,015,791	140,458,036	138,625,883
Total assets	<u>70,658,214</u>	<u>63,098,736</u>	<u>101,828,826</u>	<u>102,495,226</u>	<u>172,487,040</u>	<u>165,593,962</u>
Long-term liabilities	28,530,324	24,479,158	49,566,414	43,089,902	78,096,738	67,569,060
Other liabilities	15,694,662	15,068,032	2,098,955	9,011,650	17,793,617	24,079,682
Total liabilities	<u>44,224,986</u>	<u>39,547,190</u>	<u>51,665,369</u>	<u>52,101,552</u>	<u>95,890,355</u>	<u>91,648,742</u>
Net assets:						
Invested in capital assets, net of related debt	11,793,968	15,189,970	42,592,536	43,009,998	54,386,504	58,199,968
Restricted for:						
Debt service	7,267,104	2,760,293	-	-	7,267,104	2,760,293
Streets	3,804,544	4,622,354	-	-	3,804,544	4,622,354
Capital Improvements	244,984	530,548	-	-	244,984	530,548
Other purposes	337,982	594,995	-	-	337,982	594,995
Unrestricted	<u>2,984,646</u>	<u>(146,614)</u>	<u>7,570,921</u>	<u>7,383,676</u>	<u>10,555,567</u>	<u>7,237,062</u>
Total net assets	<u>\$26,433,228</u>	<u>\$23,551,546</u>	<u>\$50,163,457</u>	<u>\$50,393,674</u>	<u>\$76,596,685</u>	<u>\$73,945,220</u>

The largest portion of the City's net assets (71 percent) reflects its investments in capital assets (e.g., land, buildings, infrastructure, construction in progress, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these are not available for future spending.

An additional \$11,654,614 of the City's net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of the net assets of \$10,555,567 (\$2,984,646 governmental activities and \$7,570,921 business-type activities) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.



## *Analysis of Changes in Net Assets*

As stated earlier, the City's net assets increased by \$2,651,465 during the 2008 fiscal year. The following table reflects the revenues and expenses for the City's activities for the year ended December 31, 2008, and illustrates the comparison between 2008 and the prior year:

City of Gardner, Kansas Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$1,387,227	\$1,630,300	\$17,702,297	\$19,842,611	\$19,089,524	\$21,472,911
Operating grants and contributions	2,657,199	2,529,574	-	-	2,657,199	2,529,574
Capital grants and contributions	4,808,296	360,016	356,751	59,606	5,165,047	419,622
General Revenues:						
Property taxes	3,667,858	3,290,415	-	-	3,667,858	3,290,415
Sales taxes	2,815,576	2,854,565	-	-	2,815,576	2,854,565
Franchise taxes	412,989	386,139	-	-	412,989	386,139
Excise taxes	395,182	819,908	-	-	395,182	819,908
Transient guest tax	45,573	41,073	-	-	45,573	41,073
Unrestricted investment earnings	296,824	993,815	188,063	532,634	484,887	1,526,449
Gain on disposal of asset	-	1,617	-	-	-	1,617
Total Revenue & transfers	16,486,724	12,907,422	18,247,111	20,434,851	34,733,835	33,342,273
<b>Expenses:</b>						
General government	3,467,896	3,378,759	-	-	3,467,896	3,378,759
Public safety	3,653,003	3,248,539	-	-	3,653,003	3,248,539
Public works	3,274,927	2,730,439	-	-	3,274,927	2,730,439
Culture and recreation	2,280,655	2,025,252	-	-	2,280,655	2,025,252
Interest on long-term debt	1,506,419	1,450,723	-	-	1,506,419	1,450,723
Electric	-	-	10,655,734	10,369,407	10,655,734	10,369,407
Water	-	-	2,829,545	2,606,773	2,829,545	2,606,773
Wastewater	-	-	4,194,130	3,659,179	4,194,130	3,659,179
Stormwater	-	-	220,061	75,643	220,061	75,643
Total Expenses	14,182,900	12,833,712	17,899,470	16,711,002	32,082,370	29,544,714
Increase in net assets before transfers	2,303,824	73,710	347,641	3,723,849	2,651,465	3,797,559
Transfers	577,858	(1,586,760)	(577,858)	1,586,760	-	-
Increase in net assets	2,881,682	(1,513,050)	(230,217)	5,310,609	2,651,465	3,797,559
Net assets, Jan 1	23,551,546	25,064,596	50,393,674	45,083,065	73,945,220	70,147,661
Net Assets, Dec 31	\$26,433,228	\$23,551,546	\$50,163,457	\$50,393,674	\$76,596,685	\$73,945,220

### ***Governmental Activities***

Governmental revenues increased by \$3,579,302 or 27.73% from the prior year. Key components in this increase were a \$4,448,280 increase in capital grants and contributions. Of that amount, \$4,606,420 is new special assessment revenue.

Property taxes also increased \$377,443. The City's overall taxable assessed valuation increased over \$15 million.

Significant decreases offset by the capital grants and contributions increase were investment earnings (\$696,991), excise taxes (\$424,726), and building permits (\$212,679).

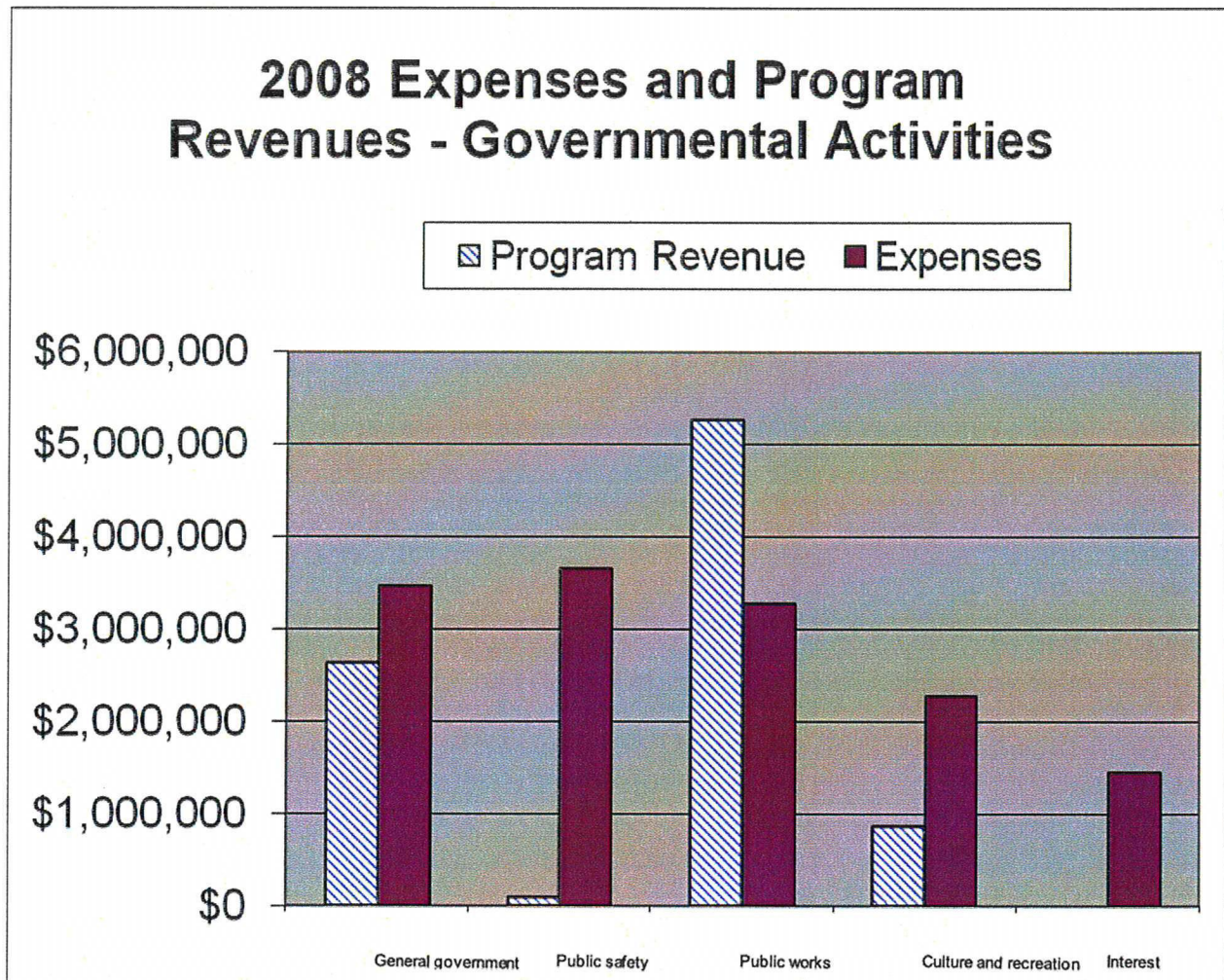
Governmental expenses increased by \$1,349,188 or 10.52% from the prior year. Key components of this increase were a 19.95% increase in Public Works expenses and a 12.45% increase in Public Safety expenses.

Public Works expenditure increases of \$544,488 were mostly due to the 167<sup>th</sup> Street reconstruction costs of over \$430,000.

Public Safety had overall expenditure increases of \$404,464, of which \$360,889 were personnel related increases.

Culture and recreation increased its expenditures by \$255,403, largely due to full-time and seasonal personnel costs, and increased concession costs.

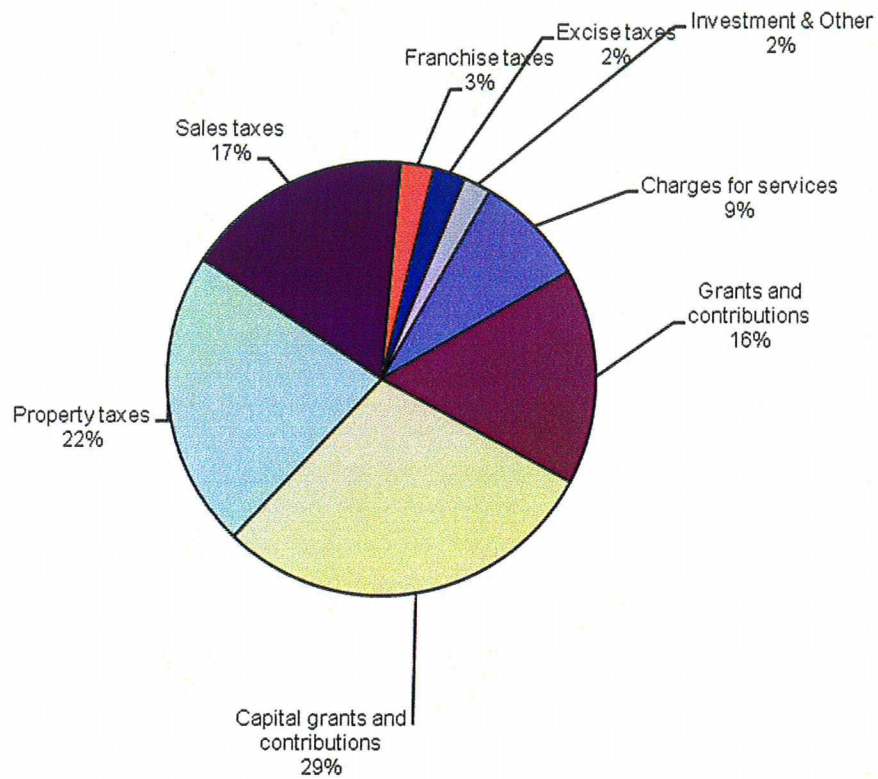
The chart below illustrates how the City's various governmental activities program revenues vs. program expenses fared in 2008.



General government program revenues include the amount of building permit and related inspection fees received during the year, as well as fines and forfeitures collected by the Municipal Court department. Public Works program revenues include \$4,606,420 in new Special Assessments.

Overall program and general revenues for the City's governmental activities are:

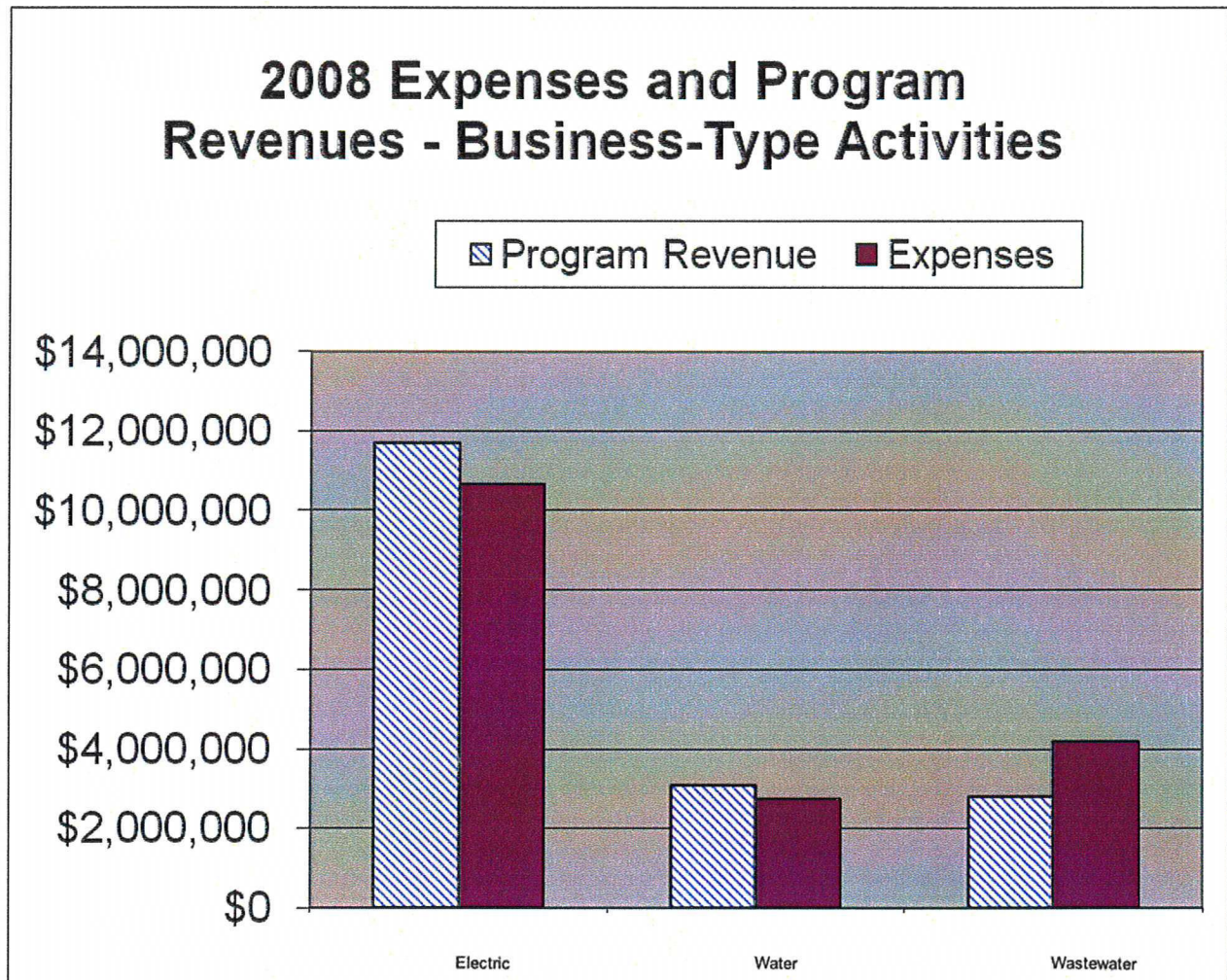
## Revenues by Source - Governmental Activities



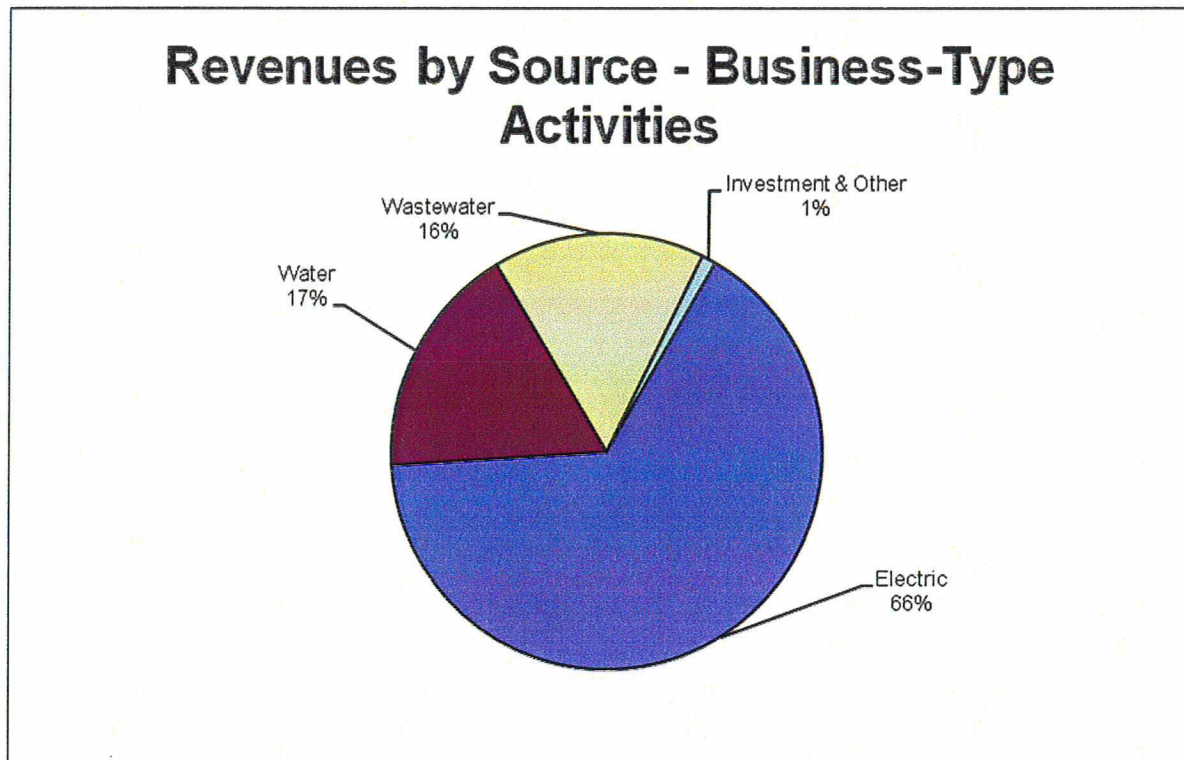


### *Business Type Activities*

Business-type activities experienced a small overall decrease in net assets since the prior year. The City's utilities implemented rate increases of 5% in water and wastewater base rates, and a 3% increase to the electric base rate. The program revenues vs. program expenses for business-type activities chart below illustrates an overall increase in net assets for electric and water, and a decrease for wastewater.



Overall program and general revenues for the City's business type activities are:



#### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS:**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

##### ***Governmental funds***

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of 2008, the City's governmental funds reported combined ending fund balances of \$(539,552), an increase of \$721,029 in comparison with the prior year.

The General Fund is the chief operating fund of the City. At the end of 2008, the fund balance of the General Fund was \$2,999,574. Fund balance represents 31% of total General Fund expenditures of \$9,682,624. This year's fund balance represents a decrease of \$1,023,694 over the previous year's balance. This decrease is generally accredited to the slowing of growth in the number of consumers and citizens in the City. This decline subsequently decreases the number of building permits and fees the City receives.



The Debt Service Fund has a fund balance of \$237,844. The Debt Service Fund fulfills the criteria to be considered a major governmental fund because of its large assets, liabilities, and expenditures.

Kill Creek Sewer has a fund balance of (\$3,597,793). This is a decrease of \$175,435 from the previous year. The decrease is due to spending its temp note proceeds. Kill Creek Sewer is construction in progress, and considered a major governmental fund because of its large liabilities. This capital project is estimated to be complete in 2009.

### ***Proprietary funds***

The City's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of 2008, unrestricted net assets for the business-type activities amounted to \$7,570,921, an increase of \$187,245, or 2.6%.

The Electric Fund had total net assets of \$23,083,084 at the end of 2008. This is an increase of \$528,148 from the previous year. The key component of this increase is an increase in operating income before transfers of \$1,068,002.

The Water Fund had total net assets of \$16,357,240 at the end of 2008. This is an increase of \$410,925 from the previous year. This is attributable to operating income before transfers of \$468,030.

The Wastewater Fund had total net assets of \$10,554,973 at the end of 2008. This is a decrease of \$1,411,425 from the previous year. Key components of this decrease include a decline in revenues of \$1,013,828 compared to prior year, and a loss on the sale of a temporary package plant of \$486,025.

The City's Internal Service Funds had total net assets of \$52,571 at the end of 2008.

### ***Fiduciary funds***

The City maintains a fiduciary fund for the assets of the Alcohol Safety Action Program. This fund accounts for the amount collected from municipal court to be remitted to the State of Kansas. At the end of 2008, the assets of the fund were \$28,036.

## **GENERAL FUND BUDGETARY HIGHLIGHTS:**

There was no difference between the original budget and the final budget. During the year, however, total revenues were less than budgetary estimates by \$813,834, or 9.3%. A summary of significant differences between budgetary estimates for revenue and actual collections is as follows:

- Property tax collections were less than the original estimate by \$97,698, or 3%.
- Sales tax was less than the revenue estimate by \$442,484, or 23%.
- Charges for services were more than the estimate by \$229,135 or 41%. The majority of this increase is due to aquatic admissions, concessions and tournament fees exceeding expectations.
- Investment earnings were lower than anticipated by \$72,723, or 52%. Interest rates decreased steadily during 2008.
- Licenses and permits were less than the original estimate by \$414,895, or 76%. This decrease is seen in the reduction of building permits issued in 2008, compared to the prior year.

In addition, expenditures were less than budgeted by \$3,540,788. Project reserves of 2,847,940 were budgeted but not utilized, accounting for much of the difference. Additional differences between budgetary estimates for expenditures and actual expenditures are as follows:

- General Government expenditures were \$420,056 less than budgeted, or 15%. Conscious effort was made to reduce costs due to declining general fund revenues. Reductions in salary increases and delays in filling vacated and new positions were responsible for over \$334,000 of this difference.
- Public Works expenditures, including principal and interest for capital leases, were \$256,711 less than budgeted, or 16%. Again, some delays were experienced in filling vacated positions, amounting to \$91,945 in personnel cost differences from budget. Other reduced expenditures were in contractual services.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

The City's investment in capital assets for its governmental and business type activities as of December 31, 2008, amounted to \$140,458,036 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, roads, water lines, sewer collectors and electric lines. The total increase in the City's investment in capital assets for 2008 was 1.3% (a 3.8% increase for governmental activities and a .001% increase for business-type activities).

#### City of Gardner's Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$4,464,863	\$3,264,310	\$2,191,420	\$2,184,470	\$6,656,283	\$5,448,780
Construction in progress	13,526,490	16,033,242	18,119,313	23,588,952	\$31,645,803	\$39,622,194
Buildings	5,364,193	3,874,300	-	-	\$5,364,193	\$3,874,300
Improvements	1,314,644	1,358,648	-	-	\$1,314,644	\$1,358,648
Infrastructure	21,442,077	19,509,343	70,976,588	65,354,120	\$92,418,665	\$84,863,463
Machinery and equipment	688,300	750,046	168,750	191,666	\$857,050	\$941,712
Vehicles	1,586,354	1,820,203	615,044	696,583	\$2,201,398	\$2,516,786
	<u>\$48,386,921</u>	<u>\$46,610,092</u>	<u>\$92,071,115</u>	<u>\$92,015,791</u>	<u>\$140,458,036</u>	<u>\$138,625,883</u>

The majority of the City's increase in capital assets can be attributed to infrastructure additions and buildings. The City's Plum Creek Fire Station was completed. Some infrastructure projects that concluded and were placed in service include:

- New Century Business Park
- Center Street Commons
- Kill Creek Water Tower
- Nike School Sanitary Sewer
- North Lift Station

Additional information on the City's capital assets can be found in Note 6 of this report.

### ***Long-Term Debt***

At the end of 2008, the City had total long-term debt outstanding of \$77,710,935. Of this amount, \$34,375,000 was general obligation debt backed by the full faith and credit of the City. However, \$23,891,050 (70%) of the general obligation debt is supported by business-type revenues. Another \$5,255,000 of the City's long-term debt outstanding is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment.

In 2002, the City entered into an irrevocable lease agreement with the Public Building Commission (PBC), a separate, not-for-profit corporation formed for the sole purpose of financing the remodeling and enlarging of City Hall. The purpose of the lease agreement is for the City to rent the building financed by the PBC Lease Revenue bonds. The rental payments are the same as the scheduled debt payments, and because the lease is irrevocable, the City is liable for the associated revenue bonds.

In 2006, the City purchased \$7,150,000 of Certificates of Participation to fund the aforementioned Celebration Park. The debt is paid for with a ten year ½ cent sales tax increment voters approved in 2005.

#### **City of Gardner's Long-Term Debt December 31, 2008**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
General obligation bonds	\$10,483,950	\$9,162,650	\$23,891,050	\$17,482,350	\$34,375,000	\$26,645,000
Special assessment debt with government commitment	5,255,000	2,270,000	-	-	\$5,255,000	2,270,000
PBC revenue bonds	3,660,000	3,760,000	-	-	\$3,660,000	3,760,000
Construction loan payable	1,799,761	1,513,022	25,433,886	25,349,440	\$27,233,647	26,862,462
Certificates of Participation	6,140,000	6,535,000	-	-	\$6,140,000	6,535,000
Capital lease obligations	911,755	1,056,393	135,533	176,030	\$1,047,288	1,232,423
	<u>\$28,250,466</u>	<u>\$24,297,065</u>	<u>\$49,460,469</u>	<u>\$43,007,820</u>	<u>\$77,710,935</u>	<u>\$67,304,885</u>

More detailed information about the City's long-term debt is presented in Note 12 to the basic financial statements and information regarding the bond anticipation notes in Note 13.

## **ECONOMIC FACTORS**

Located in Johnson County along Interstate 35, about 30 miles southwest of downtown Kansas City, MO, Gardner has benefited from its location near the Kansas City Metro Area. This has contributed to growth in the City's assessed valuation of 89.4% in the last five years alone.

In addition, the 2000 census indicates considerable population growth of 295% since 1990, and the City is estimating an additional population growth of at least 900 residents each year to its current population of over 18,000. Wealth levels and housing values exceed state averages, and Johnson County's June 2008 unemployment rate at 4.3% was slightly below the state's rate of 4.4%. More information regarding the City's demographics can be found in the Statistical section.

The City maintains an A2 rating from Moody's Investors Service. Moody's believes the City's continued rapid growth may place pressure on the City's financial operations, causing increases in expenditures, but that demonstrated prudent management practices and additional revenues generated from the growth in property taxes should mitigate this effect. More information regarding property taxes can be found in the Statistical section.

Moody's does note that there is some vulnerability in that city and countywide sales tax receipts account for approximately 17% of the city's operating revenues. In 2008, sales tax growth decreased 1.36% from the prior year, and city officials anticipate continued flat growth levels through 2009. The opening of Wal-Mart in 2006 has shown a strong contribution to the City's sales tax increase. The city's General Fund balance remains at \$2,999,574 (compared to \$4,023,268 in 2007) or 38% of General Fund revenues, which exceeds the state median of 30% for Kansas cities. Despite Gardner's historical growth in sales tax receipts, Moody's believes the importance of retaining sound reserves is important, given the economically sensitive nature of this revenue stream, and notes that the City's plan is to continue reducing reserves through Fiscal 2011. More information regarding sales taxes can be found in the Statistical section.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Finance Department, 120 East Main, Gardner, Kansas 66030.

# CITY OF GARDNER, KANSAS

## STATEMENT OF NET ASSETS

December 31, 2008

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Airport Association
<b>Assets:</b>				
Deposits and investments	\$ 6,265,466	\$ 6,198,033	\$ 12,463,499	\$ 177,245
Receivables, net of allowance for uncollectibles:				
Taxes	3,759,649	-	3,759,649	-
Accounts	-	2,161,936	2,161,936	1,911
Intergovernmental	396,931	342,872	739,803	-
Special assessments	7,247,858	-	7,247,858	-
Airport Association	167,399	-	167,399	-
Other	4,169	8,863	13,032	-
Internal balances	816,015	(816,015)	-	-
Deferred charges	279,715	331,118	610,833	-
Prepaid items	-	269,514	269,514	11,746
Inventories	-	285,759	285,759	32,990
Restricted deposits and investments	3,334,091	500,631	3,834,722	-
Water rights	-	475,000	475,000	-
Capital assets, net of accumulated depreciation, where applicable:				
Land	4,464,863	2,191,420	6,656,283	301,500
Construction in progress	13,526,490	18,119,313	31,645,803	-
Buildings	5,364,193	-	5,364,193	1,104,351
Improvements	1,314,644	-	1,314,644	39,261
Infrastructure	21,442,077	70,976,588	92,418,665	596,897
Machinery and equipment	688,300	168,750	857,050	2,678
Vehicles	1,586,354	615,044	2,201,398	-
Total assets	<u>70,658,214</u>	<u>101,828,826</u>	<u>172,487,040</u>	<u>2,268,579</u>
<b>Liabilities:</b>				
Accounts payable	411,604	1,002,647	1,414,251	3,626
Accrued expenses	53,880	20,419	74,299	-
Accrued interest payable	365,478	582,901	948,379	-
Unearned revenue	3,104,200	-	3,104,200	4,996
Liabilities payable from restricted assets	44,500	492,988	537,488	-
Bond anticipation notes payable	11,715,000	-	11,715,000	-
Noncurrent liabilities:				
Due within one year	2,532,921	4,150,790	6,683,711	11,000
Due in more than one year	25,997,403	45,415,624	71,413,027	156,399
Total liabilities	<u>44,224,986</u>	<u>51,665,369</u>	<u>95,890,355</u>	<u>176,021</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	11,793,968	42,592,536	54,386,504	1,877,288
Restricted for:				
Debt service	7,267,104	-	7,267,104	-
Streets	3,804,544	-	3,804,544	-
Capital improvements	244,984	-	244,984	-
Other purposes	337,982	-	337,982	-
Unrestricted	2,984,646	7,570,921	10,555,567	215,270
Total net assets	<u>\$ 26,433,228</u>	<u>\$ 50,163,457</u>	<u>\$ 76,596,685</u>	<u>\$ 2,092,558</u>

See accompanying notes to basic financial statements.

## CITY OF GARDNER, KANSAS

## STATEMENT OF ACTIVITIES

Year Ended December 31, 2008

					Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs	Expenses	Program Revenues			Primary Government			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Airport Association
Primary government:								
Governmental activities:								
General government	\$ 3,467,896	\$ 606,513	\$ 2,020,360	\$ -	\$ (841,023)	\$ -	\$ (841,023)	\$ -
Public safety	3,653,003	13,021	75,435	-	(3,564,547)	-	(3,564,547)	-
Public works	3,274,927	-	461,188	4,808,296	1,994,557	-	1,994,557	-
Culture and recreation	2,280,655	767,693	100,216	-	(1,412,746)	-	(1,412,746)	-
Interest on long-term debt	1,506,419	-	-	-	(1,506,419)	-	(1,506,419)	-
Total governmental activities	14,182,900	1,387,227	2,657,199	4,808,296	(5,330,178)	-	(5,330,178)	-
Business-type activities:								
Electric	10,655,734	11,688,030	-	13,879	-	1,046,175	1,046,175	-
Water	2,829,545	3,192,736	-	-	-	363,191	363,191	-
Wastewater	4,194,130	2,821,531	-	-	-	(1,372,599)	(1,372,599)	-
Stormwater	220,061	-	-	342,872	-	122,811	122,811	-
Total business-type activities	17,899,470	17,702,297	-	356,751	-	159,578	159,578	-
Total primary government	\$ 32,082,370	\$ 19,089,524	\$ 2,657,199	\$ 5,165,047	(5,330,178)	159,578	(5,170,600)	-
Component unit:								
Airport Association	\$ 336,587	\$ 321,248	\$ -	\$ 19,991	-	-	-	4,652
General revenues:								
Property taxes					3,667,858	-	3,667,858	-
Sales taxes					2,815,576	-	2,815,576	-
Franchise taxes					412,989	-	412,989	-
Excise taxes					395,182	-	395,182	-
Transient guest tax					45,573	-	45,573	-
Unrestricted investment earnings					296,824	188,063	484,887	4,496
Transfers					577,858	(577,858)	-	-
Total general revenues and transfers					8,211,860	(389,795)	7,822,065	4,496
Change in net assets					2,881,682	(230,217)	2,651,465	9,148
Net assets, beginning of year					23,551,546	50,393,674	73,945,220	2,083,410
Net assets, ending					\$ 26,433,228	\$ 50,163,457	\$ 76,596,685	\$ 2,092,558

See accompanying notes to basic financial statements.



## CITY OF GARDNER, KANSAS

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2008

	General	Debt Service	Kill Creek Sewer	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Deposits and investments	\$ 2,569,523	\$ 310,091	\$ -	\$ 3,365,218	\$ 6,244,832
Receivables (net of allowance for uncollectibles):					
Taxes	3,082,595	393,382	-	283,672	3,759,649
Special assessments	-	7,247,858	-	-	7,247,858
Intergovernmental	265,740	-	-	131,191	396,931
Airport Association	-	-	-	167,399	167,399
Other	2,431	-	-	1,738	4,169
Restricted deposits and investments	44,500	-	597,207	2,692,384	3,334,091
Due from other funds	-	-	-	2,820,059	2,820,059
<b>Total assets</b>	<b>\$ 5,964,789</b>	<b>\$ 7,951,331</b>	<b>\$ 597,207</b>	<b>\$ 9,461,661</b>	<b>\$ 23,974,988</b>
<b>Liabilities and fund balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 147,603	\$ -	\$ -	\$ 222,275	\$ 369,878
Accrued payroll	52,794	-	-	-	52,794
Temporary notes payable	-	-	4,195,000	7,520,000	11,715,000
Other	44,500	-	-	-	44,500
Deferred revenue	2,710,818	7,641,240	-	-	10,352,058
Due to other funds	9,500	-	-	1,970,810	1,980,310
<b>Total liabilities</b>	<b>2,965,215</b>	<b>7,641,240</b>	<b>4,195,000</b>	<b>9,713,085</b>	<b>24,514,540</b>
<b>Fund balances:</b>					
Reserved for:					
Encumbrances	34,779	-	27,487	863,638	925,904
Long-term loan receivable	-	-	-	167,399	167,399
Unreserved, reported in:					
General fund	2,964,795	-	-	-	2,964,795
Debt service fund	-	310,091	-	-	310,091
Special revenue funds	-	-	-	5,383,372	5,383,372
Capital projects funds	-	-	(3,625,280)	(6,665,833)	(10,291,113)
<b>Total fund balances</b>	<b>2,999,574</b>	<b>310,091</b>	<b>(3,597,793)</b>	<b>(251,424)</b>	<b>(539,552)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,964,789</b>	<b>\$ 7,951,331</b>	<b>\$ 597,207</b>	<b>\$ 9,461,661</b>	<b>\$ 23,974,988</b>

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS

December 31, 2008

Total fund balances in Governmental Funds Balance Sheet	\$ (539,552)
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	48,300,941
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	7,247,858
--	-----------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(28,615,041)
--	--------------

Internal service funds are used by management to charge the costs of building maintenance and information technology services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	<u>39,022</u>
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Net assets of governmental activities	<u><u>\$ 26,433,228</u></u>
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See accompanying notes to basic financial statements.

## CITY OF GARDNER, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

Year Ended December 31, 2008

	General	Debt Service	Kill Creek Sewer	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property	\$ 2,985,027	\$ 433,331	\$ -	\$ 249,500	\$ 3,667,858
Sales	1,517,516	-	-	1,298,060	2,815,576
Franchise	412,989	-	-	-	412,989
Excise	-	-	-	395,182	395,182
Special assessments	-	300,420	-	-	300,420
Intergovernmental	1,560,132	-	-	1,046,632	2,606,764
Licenses and permits	133,305	-	-	53,671	186,976
Charges for services	792,935	-	-	-	792,935
Fines and fees	305,001	-	-	-	305,001
Investment earnings	68,077	7,997	14,837	205,913	296,824
Other	217,303	78,639	-	25,980	321,922
Total revenues	<u>7,992,285</u>	<u>820,387</u>	<u>14,837</u>	<u>3,274,938</u>	<u>12,102,447</u>
Expenditures:					
Current:					
General government	2,401,390	-	-	808,880	3,210,270
Public safety	3,411,999	-	-	-	3,411,999
Public works	1,694,200	-	-	-	1,694,200
Culture and recreation	1,842,622	-	-	504	1,843,126
Capital outlay	132,386	-	32,540	4,266,857	4,431,783
Debt service:					
Principal	144,638	1,618,593	-	395,000	2,158,231
Interest and fiscal charges	55,389	651,933	157,732	545,815	1,410,869
Other	-	5,094	-	177,920	183,014
Total expenditures	<u>9,682,624</u>	<u>2,275,620</u>	<u>190,272</u>	<u>6,194,976</u>	<u>18,343,492</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,690,339)</u>	<u>(1,455,233)</u>	<u>(175,435)</u>	<u>(2,920,038)</u>	<u>(6,241,045)</u>
Other financing sources (uses):					
General obligation bonds	-	-	-	5,460,000	5,460,000
Premium on general obligation bonds	-	-	-	36,180	36,180
Construction loan	-	-	-	651,632	651,632
Insurance proceeds	997	-	-	-	997
Transfers in	765,648	1,527,480	-	220,000	2,513,128
Transfers out	(100,000)	-	-	(1,599,863)	(1,699,863)
Total other financing sources (uses)	<u>666,645</u>	<u>1,527,480</u>	<u>-</u>	<u>4,767,949</u>	<u>6,962,074</u>
Net change in fund balances	<u>(1,023,694)</u>	<u>72,247</u>	<u>(175,435)</u>	<u>1,847,911</u>	<u>721,029</u>
Fund balances, beginning of year	<u>4,023,268</u>	<u>237,844</u>	<u>(3,422,358)</u>	<u>(2,099,335)</u>	<u>(1,260,581)</u>
Fund balances, ending	<u>\$ 2,999,574</u>	<u>\$ 310,091</u>	<u>\$ (3,597,793)</u>	<u>\$ (251,424)</u>	<u>\$ (539,552)</u>

See accompanying notes to basic financial statements.

CITY OF GARDNER, KANSAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2008

Amounts reported for governmental activities in the statement of activities  
are different because:

Net change in fund balances - total governmental funds	\$ 721,029
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	1,962,290
Capital contributions are not recorded in the governmental funds because there has been no flow of current financial resources.	(235,407)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,383,279
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(3,953,401)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(31,976)
Internal service funds are used by management to charge the costs of building maintenance and information technology services to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	35,868
Change in net assets of governmental activities	<u>\$ 2,881,682</u>

See accompanying notes to basic financial statements.

# CITY OF GARDNER, KANSAS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

### GENERAL FUND

Year Ended December 31, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes:			
Property	\$ 3,082,725	\$ 2,985,027	\$ (97,698)
Sales	1,960,000	1,517,516	(442,484)
Franchise	433,000	412,989	(20,011)
Intergovernmental	1,700,600	1,560,132	(140,468)
Licenses and permits	548,200	133,305	(414,895)
Charges for services	563,800	792,935	229,135
Fines and fees	358,600	305,001	(53,599)
Investment earnings	140,800	68,077	(72,723)
Other	18,394	217,303	198,909
Total revenues	<u>8,806,119</u>	<u>7,992,285</u>	<u>(813,834)</u>
Expenditures:			
General government	2,822,800	2,402,744	420,056
Public safety	3,636,300	3,429,570	206,730
Public works	2,010,800	1,694,328	316,472
Culture and recreation	1,925,200	1,843,197	82,003
Capital outlay	-	132,386	(132,386)
Project reserve	2,847,940	-	2,847,940
Debt service:			
Principal	-	144,638	(144,638)
Interest and fiscal charges	-	55,389	(55,389)
Total expenditures	<u>13,243,040</u>	<u>9,702,252</u>	<u>3,540,788</u>
Excess of revenues over (under) expenditures	<u>(4,436,921)</u>	<u>(1,709,967)</u>	<u>2,726,954</u>
Other financing sources and (uses):			
Insurance proceeds	-	997	997
Transfers in	822,300	765,648	(56,652)
Transfers out	(350,000)	(100,000)	250,000
Total other financing sources and (uses)	<u>472,300</u>	<u>666,645</u>	<u>194,345</u>
Net change in fund balances	(3,964,621)	(1,043,322)	2,921,299
Fund balances, beginning of year	3,964,621	4,008,117	43,496
Fund balances, end of year	<u>\$ -</u>	<u>2,964,795</u>	<u>\$ 2,964,795</u>
Explanation of difference between budgetary and GAAP fund balances:			
Encumbrances for equipment and supplies ordered but not received are not recorded for GAAP purposes until received		34,779	
GAAP fund balance, end of year		<u>\$ 2,999,574</u>	

See accompanying notes to basic financial statements.

# CITY OF GARDNER, KANSAS

## STATEMENT OF NET ASSETS

### PROPRIETARY FUNDS

December 31, 2008

		Major Funds
	Electric	Water
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 440,002	\$ 5,082,002
Accounts receivable, net	1,428,753	357,565
Other receivable	-	8,863
Restricted deposits and investments	426,030	66,958
Intergovernmental receivable	-	-
Prepaid items	269,514	-
Inventories	203,729	82,030
Due from other funds	46,073	87
Total current assets	2,814,101	5,597,505
Noncurrent assets:		
Deferred charges	136,497	43,138
Water rights	-	475,000
Capital assets:		
Land	634,908	963,039
Construction in progress	181,506	10,361,573
Infrastructure	44,722,411	16,351,162
Machinery and equipment	213,332	111,682
Vehicles	509,873	282,668
Less accumulated depreciation	(15,502,936)	(4,374,020)
Total capital assets	30,759,094	23,696,104
Total noncurrent assets	30,895,591	24,214,242
Total assets	33,709,692	29,811,747
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	665,632	138,697
Accrued expenses	7,685	6,594
Customer and developer deposits	426,030	66,958
Accrued interest payable	106,135	186,778
Due to other funds	-	2,622
Compensated absences	24,175	23,074
Current portion of capital lease payable	-	-
Current portion of bonds payable	1,301,000	661,500
Current portion of construction loans payable	-	464,479
Total current liabilities	2,530,657	1,550,702
Noncurrent liabilities:		
Other postemployment benefit obligation	4,801	4,748
Capital lease payable, net	-	-
Bonds payable, net	8,091,150	6,132,545
Construction loan payable	-	5,766,512
Total noncurrent liabilities	8,095,951	11,903,805
Total liabilities	10,626,608	13,454,507
<b>Net assets:</b>		
Invested in capital assets, net of related debt	21,366,944	10,671,068
Unrestricted	1,716,140	5,686,172
Total net assets	\$ 23,083,084	\$ 16,357,240

Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.

Net assets of business-type activities

See accompanying notes to basic financial statements.



Wastewater	Nonmajor Fund Stormwater	Total	Internal Service Funds
\$ 660,893	\$ -	\$ 6,182,897	\$ 35,770
375,618	-	2,161,936	-
-	-	8,863	-
7,643	-	500,631	-
-	342,872	342,872	-
-	-	269,514	-
-	-	285,759	-
432	-	46,592	1,309
1,044,586	342,872	9,799,064	37,079
151,483	-	331,118	-
-	-	475,000	-
593,473	-	2,191,420	-
6,932,971	643,263	18,119,313	54,186
37,590,641	23,080	98,687,294	-
191,630	-	516,644	27,645
326,830	-	1,119,371	14,749
(8,685,682)	(289)	(28,562,927)	(10,600)
36,949,863	666,054	92,071,115	85,980
37,101,346	666,054	92,877,233	85,980
38,145,932	1,008,926	102,676,297	123,059
177,867	5,057	987,253	57,120
6,140	-	20,419	1,086
-	-	492,988	-
289,988	-	582,901	-
26,019	849,260	877,901	9,749
18,360	-	65,609	-
42,752	-	42,752	-
730,000	-	2,692,500	-
885,450	-	1,349,929	-
2,176,576	854,317	7,112,252	67,955
3,547	-	13,096	2,533
92,781	-	92,781	-
7,000,608	-	21,224,303	-
18,317,445	-	24,083,957	-
25,414,381	-	45,414,137	2,533
27,590,957	854,317	52,526,389	70,488
9,888,470	666,054	42,592,536	85,980
666,503	(511,445)	7,557,370	(33,409)
\$ 10,554,973	\$ 154,609	50,149,906	\$ 52,571
		13,551	
		\$ 50,163,457	

# CITY OF GARDNER, KANSAS

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

### PROPRIETARY FUNDS

Year Ended December 31, 2008

		Major Funds
	Electric	Water
Operating revenues:		
Charges for sales and services	\$ 11,688,030	\$ 3,192,736
Total operating revenues	11,688,030	3,192,736
Operating expenses:		
Administration	526,541	327,646
Wholesale energy cost	7,286,011	-
Generation	308,259	-
Treatment	-	1,099,851
Distribution and collection	829,509	273,359
Contractual services	-	97,455
Other supplies and expenses	-	-
Repairs and maintenance	-	-
Depreciation and amortization	1,218,534	431,626
Other	66,052	127,091
Total operating expenses	10,234,906	2,357,028
Operating income (loss)	1,453,124	835,708
Nonoperating revenues (expenses):		
Intergovernmental	-	-
Investment earnings	27,232	108,219
Developer reimbursements	13,062	-
Interest expense	(426,233)	(475,897)
Loss on disposal of assets	-	-
Other	817	-
Total nonoperating revenues (expenses)	(385,122)	(367,678)
Income before transfers and contributions	1,068,002	468,030
Capital contributions	80,133	14,534
Transfers out	(619,987)	(71,639)
Change in net assets	528,148	410,925
Total net assets, beginning of year	22,554,936	15,946,315
Total net assets, end of year	\$ 23,083,084	\$ 16,357,240
Change in net assets		

Some amounts reported for business-type activities in the statements of activities are different because the net revenue of certain internal service funds is reported with business-type activities.

Change in net assets of business-type activities

(Continued)

Wastewater	Nonmajor Fund Stormwater	Total	Internal Service Funds
\$ 2,821,531	\$ -	\$ 17,702,297	\$ 1,908,347
2,821,531	-	17,702,297	1,908,347
287,024	-	1,141,211	531,222
-	-	7,286,011	-
-	-	308,259	-
1,036,508	-	2,136,359	-
245,611	-	1,348,479	-
108,246	219,772	425,473	1,159,578
-	-	-	81,708
-	-	-	18,824
1,124,916	289	2,775,365	4,240
-	-	193,143	65,026
2,802,305	220,061	15,614,300	1,860,598
19,226	(220,061)	2,087,997	47,749
-	342,872	342,872	-
52,612	-	188,063	-
-	-	13,062	-
(860,786)	-	(1,762,916)	-
(486,025)	-	(486,025)	-
(48,112)	-	(47,295)	-
(1,342,311)	342,872	(1,752,239)	-
(1,323,085)	122,811	335,758	47,749
33,299	107,441	235,407	-
(121,639)	-	(813,265)	-
(1,411,425)	230,252	(242,100)	47,749
11,966,398	(75,643)	50,392,006	4,822
\$ 10,554,973	\$ 154,609	\$ 50,149,906	\$ 52,571
		\$ (242,100)	
		11,883	
		\$ (230,217)	

# CITY OF GARDNER, KANSAS

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

Year Ended December 31, 2008

	Electric	Major Funds Water
Cash flows from operating activities:		
Receipts from customers	\$ 11,415,219	\$ 4,912,047
Payments to suppliers	(8,513,651)	(1,440,010)
Payments to employees	(687,780)	(573,102)
Net cash provided by (used in) operating activities	2,213,788	2,898,935
Cash flows from noncapital financing activities:		
Advances from other funds	-	-
Transfers to other funds	(619,987)	(71,639)
Net cash provided by (used in) noncapital financing activities	(619,987)	(71,639)
Cash flows from capital and related financing activities:		
Proceeds from construction loan	-	107,525
Proceeds from general obligation bonds	1,460,000	2,910,000
Acquisition and construction of capital assets	(345,811)	(167,826)
Acquisition of intangible assets	-	(475,000)
Principal paid on capital lease	-	-
Refunding of general obligation bond principal	(1,620,000)	-
Principal paid on general obligation bonds	(1,917,800)	(428,500)
Principal paid on bond anticipation notes	-	(3,465,000)
Principal paid on construction loan	-	(674,174)
Interest paid on general obligation bonds, construction loan, and capital lease	(420,601)	(453,470)
Reimbursements from developers	13,062	-
Proceeds from sale of capital assets	-	-
Other refunding costs	(45,072)	-
Other financing costs	(31,584)	(19,343)
Net cash provided by (used in) capital and related financing activities	(2,907,806)	(2,665,788)
Cash flows from investing activities:		
Interest received	27,232	108,219
Net increase (decrease) in cash and cash equivalents	(1,286,773)	269,727
Cash and cash equivalents, beginning of year	2,152,805	4,879,233
Cash and cash equivalents, end of year	\$ 866,032	\$ 5,148,960

(Continued)

Wastewater	Nonmajor Fund Stormwater	Total	Internal Service Funds
\$ 2,772,327	\$ -	\$ 19,099,593	\$ 1,907,038
(1,804,688)	(260,274)	(12,018,623)	(1,289,124)
(546,038)	-	(1,806,920)	(531,266)
421,601	(260,274)	5,274,050	86,648
-	819,176	819,176	-
(121,639)	-	(813,265)	-
(121,639)	819,176	5,911	-
1,972,325	-	2,079,850	-
6,200,000	-	10,570,000	-
(2,048,768)	(558,902)	(3,121,307)	(54,186)
-	-	(475,000)	-
(40,497)	-	(40,497)	-
-	-	(1,620,000)	-
(195,000)	-	(2,541,300)	-
(3,400,000)	-	(6,865,000)	-
(1,321,230)	-	(1,995,404)	-
(822,564)	-	(1,696,635)	-
-	-	13,062	-
40,000	-	40,000	-
-	-	(45,072)	-
(83,768)	-	(134,695)	-
300,498	(558,902)	(5,831,998)	(54,186)
52,612	-	188,063	-
653,072	-	(363,974)	32,462
15,464	-	7,047,502	3,308
\$ 668,536	\$ -	\$ 6,683,528	\$ 35,770

# CITY OF GARDNER, KANSAS

## STATEMENT OF CASH FLOWS (Continued)

### PROPRIETARY FUNDS

Year Ended December 31, 2008

	Electric	Major Funds Water
Cash consists of:		
Cash	\$ 440,002	\$ 5,082,002
Restricted deposits and investments	426,030	66,958
	<u>\$ 866,032</u>	<u>\$ 5,148,960</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 1,453,124	\$ 835,708
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Items not requiring cash:		
Depreciation expense	1,218,534	431,626
Changes in:		
Receivables	(210,558)	(46,728)
Due from other funds	350	1,765,575
Prepaid expenses	(269,514)	-
Accounts payable	118,358	(75,208)
Other postemployment benefit obligation	4,801	4,748
Due to other funds	-	(545)
Accrued liabilities	(38,704)	(16,705)
Customer deposits	(62,603)	464
Net cash provided by (used in) operating activities	<u>\$ 2,213,788</u>	<u>\$ 2,898,935</u>
Non-cash capital financing activities:		
Capital assets of \$ 235,407 were acquired through contributions from governmental funds.		

See accompanying notes to basic financial statements.



Wastewater	Nonmajor Fund Stormwater	Total	Internal Service Funds
\$ 660,893	\$ -	\$ 6,182,897	\$ 35,770
7,643	-	500,631	-
<u>\$ 668,536</u>	<u>\$ -</u>	<u>\$ 6,683,528</u>	<u>\$ 35,770</u>
\$ 19,226	\$ (220,061)	\$ 2,087,997	\$ 47,749
1,124,916	289	2,775,365	4,240
(48,772)	-	(306,058)	-
(432)	-	1,765,493	(1,309)
-	-	(269,514)	-
16,930	(40,502)	19,578	34,374
3,547	-	13,096	2,533
(679,626)	-	(680,171)	1,640
(14,188)	-	(69,597)	(2,579)
-	-	(62,139)	-
<u>\$ 421,601</u>	<u>\$ (260,274)</u>	<u>\$ 5,274,050</u>	<u>\$ 86,648</u>

CITY OF GARDNER, KANSAS  
STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUND

December 31, 2008

	<u>Agency Fund</u>
	<u>Alcohol Safety</u>
	<u>Action Program</u>
<u>ASSETS</u>	
Deposits and investments	<u>\$ 28,036</u>
<u>LIABILITIES</u>	
Due to others	<u>\$ 28,036</u>

See accompanying notes to basic financial statements.

## CITY OF GARDNER, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2008

#### 1 - Summary of Significant Accounting Policies

##### Reporting Entity

The City of Gardner, Kansas (the City) is located in Johnson County, Kansas and was first incorporated in 1887 under the provisions of the constitution and general statutes of the State of Kansas. The City operates under a Mayor-Council-Administrator form of government and provides a full range of services including public safety (police and fire); public works; community services; recreation and leisure; planning and codes enforcement; general management; and electric, water, wastewater, and stormwater utilities. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The blended component unit, although a legally separate entity, is, in substance, part of the City's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

*Blended Component Unit.* The Public Building Corporation (PBC) is a not-for-profit corporation governed by the Mayor, certain City Council members and members of the City's management. The PBC's sole purpose is to acquire assets and construct facilities and infrastructure for the benefit of the City through the issuance of revenue bonds pursuant to Kansas Statute 12-1757. The financial statements of the PBC have been included within the City's reporting entity as a capital projects fund (City Hall). Separately issued financial statements of the PBC are not available.

*Discretely Presented Component Unit.* The Airport Association is a not-for-profit corporation that operates the municipal airport located in the City and promotes economic development at the facility. The governing body of the Airport Association is appointed by the City Council. The Airport Association must obtain the City's approval before issuing debt and the City has also issued debt for the Airport Association. The Airport Association's revenue is derived from the rental of hangar and building space, the sale of fuel and the sale of crops grown on airport property. The Airport Association is presented as an enterprise fund. Separately issued financial statements for the Airport Association are not available.

## CITY OF GARDNER, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

#### 1 - Summary of Significant Accounting Policies (Continued)

##### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

##### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The agency fund does not have a measurement focus and uses the accrual basis of accounting to report its financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A 90-day availability period is used for revenue recognition for all governmental funds revenues except property taxes. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Property taxes, sales taxes, franchise taxes, interest associated with the current fiscal period, and certain state and federal grants and entitlements are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City. While property taxes are shown on the balance sheet as current assets of the City, they are not recognized as revenue at year end because statutory provisions prohibit their use until the year for which they were raised and budgeted. Instead, they are offset by deferred revenue accounts.

CITY OF GARDNER, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This fund accounts for the general operating transactions of the City including public safety, public works, parks, recreation, and administration.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The Kill Creek Sewer fund is used to account for the acquisition and construction of a major capital sewer improvement.

The City reports the following major proprietary funds:

The electric fund accounts for the operation and maintenance activities of the City's electric distribution system.

The water fund accounts for the operation and maintenance activities of the City's water distribution system.

The wastewater fund accounts for the operation and maintenance activities of the City's wastewater collection and treatment system.

Additionally, the City reports the following fund types:

The agency fund accounts for the amounts collected from the municipal court to be remitted to the State of Kansas.

Internal service funds account for risk management, information technology, building maintenance and utility billing services provided to other departments on a cost reimbursement basis.



CITY OF GARDNER, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this rule is charges between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric, water, wastewater and stormwater funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pooled Cash and Investments

Cash and investments of the individual funds are combined to form a pool that is managed by the Director of Finance. Each fund's equity in the pool is included in "deposits and investments" in the financial statements. These pooled deposits and investments consist of operating accounts, money market mutual funds, and investments in the Kansas Municipal Investment Pool (MIP) which is overseen by the State of Kansas. The money market mutual funds are recorded at fair value. The fair value of the City's position in the MIP is the same as the pool value of the shares. Investment earnings, including interest income, are allocated to the funds required to accumulate interest; other investment earnings are allocated based on management discretion and upon their average daily equity balances. If a fund is not required to account for its own earnings by law or regulation, the earnings are allocated to the General Fund.

For the fiscal year ended December 31, 2008, interest earnings allocated to the various funds were \$ 484,887.

The City Hall capital projects fund holds money market mutual funds totaling \$ 103 separate from the pooled cash and investments.

Statement of Cash Flows

For purposes of the statement of cash flows, the City considers deposits and highly liquid investments with an original maturity of three months or less to be cash equivalents. At December 31, 2008, cash equivalents consisted of money market mutual funds included in pooled cash described above.

Allowances for Uncollectibles

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 238 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 5% of outstanding property taxes at December 31, 2008.

CITY OF GARDNER, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Restricted Assets

The State of Kansas requires the City to maintain customer utility and developer deposits separate from City assets in the Enterprise Funds. Interest earned on deposits is credited back to customers as required by State statutes. Restricted assets in the general fund consist of court bond deposits. Restricted deposits and investments are also set aside for capital projects.

Property Taxes

The City's property tax is levied each year on the assessed value of all real estate listed as of the prior January 1, the lien date. Assessed values are established by Johnson County. The assessed value at January 1, 2007 upon which the 2008 levy was based was approximately \$ 132,532,643.

Property taxes are legally restricted for use in financing operations of the ensuing year. Accordingly, the City defers revenue recognition until the year for which they are to be used. Property taxes are levied on November 1 of each year. Property owners have the option of paying one-half of the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the following year. Property taxes become delinquent on December 20 of each fiscal year if the taxpayer has not remitted at least one-half of the amount due. The Johnson County Treasurer is the tax collection agent for all taxing entities within the County. Property taxes levied in prior years that remain uncollected are recorded as receivables, net of estimated uncollectibles.

Receivable and Payables

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Deferred revenue is reported as follows:

General fund property taxes receivable	\$ 2,710,818
Debt service fund property taxes receivable	393,382
Debt service fund special assessments receivable	<u>7,247,858</u>
	<u><u>\$ 10,352,058</u></u>

## CITY OF GARDNER, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

#### 1 - Summary of Significant Accounting Policies (Continued)

##### Inventories

Inventories consist of expendable supplies and merchandise held for consumption. All inventories are valued at the lower of cost using the first-in/first-out (FIFO method) or market.

##### Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g., roads, bridges, sidewalks and similar items) and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$ 10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives.

Buildings and improvements	20 - 40 years
Machinery and equipment	10 years
Vehicles	10 years
Infrastructure	15 - 50 years

## CITY OF GARDNER, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

#### 1 - Summary of Significant Accounting Policies (Continued)

##### Intangible Assets

The City acquired water rights during 2008 for \$ 475,000 which is reported in the water fund and business-type activities column in the government-wide financial statements as an intangible asset. Intangible assets are defined as assets with an initial individual cost of more than \$ 10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated intangible assets are recorded at estimated fair market value at the date of donation. The water rights acquired are considered to have an indefinite life. As a result, no amortization will be taken on the acquired rights.

##### Compensated Absences

The City's policies allow up to one and one half times employees' earned rates of vacation to be carried over to subsequent years. This carryover is payable upon separation from service and ranges from 120 to 240 hours depending upon the employee's length of service.

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. In the governmental fund financial statements, a liability for these amounts is reported only when they have matured, for example, as a result of employee resignations and retirements.

Sick leave for full-time employees is earned at the rate of approximately four hours per bi-weekly pay period with a maximum accumulation of 1,040 hours. Regular part-time employees accrue sick leave at a proportional rate to full-time employees. Accumulated sick pay is not vested, and therefore is not recorded in the financial statements.

##### Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

## CITY OF GARDNER, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

#### 1 - Summary of Significant Accounting Policies (Continued)

##### Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

##### Concentrations of Credit Risk

Loans are extended, on a fully secured basis, to local businesses under an economic development loan program. Credit is extended to citizens for special assessments levied by the City for capital improvements. These special assessments are secured by liens on the related properties. Unsecured credit is extended to customers for electric, water and sewer fees and charges for services.

Intergovernmental receivables include unsecured amounts due from federal, state and county agencies for various grant programs.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements

At December 31, 2008, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, was issued in June 2007. This statement establishes standards for when and whether intangible assets should be considered capital assets for financial reporting purposes. It requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The provisions of this statement are effective for periods beginning after June 15, 2009.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was issued in February 2009. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The provisions of this statement are effective for periods beginning after June 15, 2010.



CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$ 28,615,041 difference are as follows:

General obligation bonds payable	\$ (15,738,950)
PBC lease revenue bonds	(3,660,000)
Construction loans payable	(1,799,761)
Certificates of participation	(6,140,000)
Capital leases payable	(911,755)
Accrued interest payable	(365,478)
Other postemployment benefit obligations	(41,118)
Issuance premium	(36,180)
Deferred charges for issuance costs	279,715
Compensated absences	<u>(201,514)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (28,615,041)</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$ 1,962,290 difference are as follows:

Capital outlay	\$ 3,562,272
Depreciation expense	<u>(1,599,982)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u><u>\$ 1,962,290</u></u>

# CITY OF GARDNER, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued)

#### Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

Another element of that reconciliation states that "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$ 3,953,401 difference are as follows:

Debt issued or incurred:	
Construction loans	\$ (651,632)
General obligation bonds	(5,460,000)
Principal repayments:	
General obligation bonds payable	1,153,700
PBC lease revenue bonds	100,000
Certificates of participation	395,000
Construction loans	364,893
Capital leases payable	<u>144,638</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ (3,953,401)</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$ 31,976 difference are as follows:

Compensated absences	\$ 19,420
Accrued interest	23,349
Other postemployment benefit obligation	41,118
Capitalized bond issuance costs and issuance premiums	(74,633)
Amortization of issuance costs	<u>22,722</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 31,976</u>

## CITY OF GARDNER, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

#### 3 - Stewardship, Compliance and Accountability

##### Budgetary Information

Applicable Kansas statutes require that budgets be legally adopted for the general fund, special revenue funds (unless exempted by a specific statute), enterprise funds and the debt service fund. A legal operating budget is not required for the capital projects funds and the airport special revenue fund. All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting – that is, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

The Statutes provide for the following sequence and timetable in adoption of budgets:

- a. Preparation of proposed budget for the succeeding calendar year on or before August 1 of each year.
- b. Publication of proposed budget on or before August 5 of each year.
- c. A minimum of ten days' notice of public hearing, published in a local newspaper, on or before August 15 of each year.
- d. Public hearing on or before August 15 of each year.
- e. Adoption of final budget on or before August 25 of each year.

Kansas statutes permit transferring budgeted amounts from one object or purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures in an individual fund. The City Administrator is authorized to approve over-expenditures at the departmental level or transfers of budgeted appropriations between departments. However, management may not amend a fund's total budgeted expenditures without Council approval. The legal level of budgetary control is the fund level. Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the City. All unencumbered appropriations lapse at the end of the year. Encumbered appropriations are not reappropriated in the ensuing year's budget but are carried forward until liquidated or cancelled. Kansas statutes permit original budgets to be increased for previously unbudgeted increases in revenue other than ad valorem property taxes. The City must first publish a notice of public hearing to amend the budget. Ten days after publication, a public hearing is held and the governing body may amend the budget at that time. There were no budget amendments in 2008.

## CITY OF GARDNER, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

#### 3 - Stewardship, Compliance and Accountability (Continued)

##### Deficit Fund Balances

The Kill Creek Sewer, Lincoln Lane, Moonlight & Main, 175<sup>th</sup> & Moonlight Intersection, University Park, Kill Creek Drive/Waterline, Nike School Sewer, Gardner Junction Park, Prairiebrooke, and North Moonlight capital projects funds had deficit fund balances of \$ 3,597,793, \$ 161,293, \$ 484,641, \$ 1,081,273, \$ 2,729,957, \$ 2,413,996, \$ 11, \$ 8,518, \$ 174,776, and \$ 148,030, respectively, as of December 31, 2008. The funds incurred expenditures for which permanent financing had not yet become available. The building maintenance, utility billing services and risk management internal service funds had deficit net assets of \$ 2,461, \$ 1,368, and \$ 1,686, respectively, as of December 31, 2008.

#### 4 - Deposits and Investments

##### Deposits

##### *Custodial Credit Risk-Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. Kansas statutes require that deposits be collateralized, and that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of the City. The carrying amount of deposits for the City was not exposed to custodial credit risk.

The Airport Association does not have a policy covering custodial credit risk. At December 31, 2008, the Airport Association's deposits were not exposed to custodial credit risk.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

4 - Deposits and Investments (Continued)

Investments

At December 31, 2008, the City had the following investments:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
State of Kansas Municipal Investment Pool	< 1 year	\$ 2,820,617
Money market mutual funds	< 1 year	498,175

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, but requires that to the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. The City is not exposed to significant interest rate risk.

*Credit risk*

Kansas statutes authorize the City, with certain restrictions, to deposit or invest in temporary notes, no-fund warrants, open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury Bills and Notes, the State of Kansas Municipal Investment Pool, or to make direct investments. The City has an investment policy which does not impose limitations beyond those of the State of Kansas. The City's investments in the Municipal Investment Pool are rated AA Af/S1+ by Standard & Poor's. The City's investments in money market mutual funds are rated AA Am by Standard & Poor's and Aaa by Moody's.

*Custodial Credit Risk – Investments*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investments are not exposed to custodial credit risk.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

5 - Loan Receivable

During 2007 and 2008, the City made loans to the Airport Association for airport improvements. At December 31, 2008, the receivable balance was \$ 167,399 and is included in noncurrent liabilities on the Airport Association component unit column of the statement of net assets. The final principal and interest payments are to be made in 2019.

6 - Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,264,310	\$ 1,200,553	\$ -	\$ 4,464,863
Construction in progress	16,033,242	2,111,513	(4,618,265)	13,526,490
Total capital assets not being depreciated	19,297,552	3,312,066	(4,618,265)	17,991,353
Capital assets being depreciated:				
Buildings	4,821,808	1,630,392	-	6,452,200
Improvements	2,128,141	63,644	-	2,191,785
Infrastructure	27,974,869	2,924,229	-	30,899,098
Machinery and equipment	1,391,048	68,985	(44,654)	1,415,379
Vehicles	2,621,526	-	-	2,621,526
Total capital assets being depreciated	38,937,392	4,687,250	(44,654)	43,579,988
Less accumulated depreciation for:				
Buildings	(947,508)	(140,499)	-	(1,088,007)
Improvements	(769,493)	(107,648)	-	(877,141)
Infrastructure	(8,465,526)	(991,495)	-	(9,457,021)
Machinery and equipment	(641,002)	(130,731)	44,654	(727,079)
Vehicles	(801,323)	(233,849)	-	(1,035,172)
Total accumulated depreciation	(11,624,852)	(1,604,222)	44,654	(13,184,420)
Total capital assets being depreciated, net	27,312,540	3,083,028	-	30,395,568
Governmental activities capital assets, net	\$ 46,610,092	\$ 6,395,094	\$ (4,618,265)	\$ 48,386,921

## CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)6 - Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type activities:</b>					
Capital assets not being depreciated:					
Land	\$ 2,184,470	\$ 6,950	\$ -	\$ -	\$ 2,191,420
Construction in progress	23,588,952	2,776,444	(8,246,083)	-	18,119,313
Total capital assets not being depreciated	25,773,422	2,783,394	(8,246,083)	-	20,310,733
Capital assets being depreciated:					
Infrastructure	90,534,024	8,781,196	(627,926)	-	98,687,294
Machinery and equipment	451,540	20,450	-	44,654	471,990
Vehicles	1,121,614	17,757	(20,000)	-	1,119,371
Total capital assets being depreciated	92,107,178	8,819,403	(647,926)	44,654	100,278,655
Less accumulated depreciation for:					
Infrastructure	(25,179,904)	(2,632,703)	101,901	-	(27,710,706)
Machinery and equipment	(259,874)	(43,366)	-	(44,654)	(303,240)
Vehicles	(425,031)	(99,296)	20,000	-	(504,327)
Total accumulated depreciation	(25,864,809)	(2,775,365)	121,901	(44,654)	(28,518,273)
Total capital assets being depreciated, net	66,242,369	6,044,038	(526,025)	-	71,760,382
Business-type activities capital assets, net	\$ 92,015,791	\$ 8,827,432	\$ (8,772,108)	\$ -	\$ 92,071,115



CITY OF GARDNER, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

6 - Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 186,436
Public safety	215,195
Public works	834,945
Culture and recreation	<u>367,646</u>

Total depreciation expense - governmental activities	<u><u>\$ 1,604,222</u></u>
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Business-type activities:

Electric	\$ 1,218,534
Water	431,626
Wastewater	1,124,916
Stormwater	<u>289</u>

Total depreciation expense - business-type activities	<u><u>\$ 2,775,365</u></u>
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CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

6 - Capital Assets (Continued)

Capital asset activity for the Airport Association component unit for the year ended December 31, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 301,500	\$ -	\$ -	\$ 301,500
Construction in progress	263,514	39,984	303,498	-
Total capital assets not being depreciated	565,014	39,984	303,498	301,500
Capital assets being depreciated:				
Buildings	1,574,903	-	-	1,574,903
Equipment	13,390	-	-	13,390
Improvements	54,433	-	-	54,433
Infrastructure	384,462	386,083	-	770,545
Total capital assets being depreciated	2,027,188	386,083	-	2,413,271
Less accumulated depreciation for:				
Buildings	(428,133)	(42,419)	-	(470,552)
Equipment	(8,033)	(2,679)	-	(10,712)
Improvements	(12,451)	(2,721)	-	(15,172)
Infrastructure	(155,335)	(18,313)	-	(173,648)
Total accumulated depreciation	(603,952)	(66,132)	-	(670,084)
Total capital assets being depreciated, net	1,423,236	319,951	-	1,743,187
Airport Association capital assets, net	\$ 1,988,250	\$ 359,935	\$ 303,498	\$ 2,044,687

## CITY OF GARDNER, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

#### 7 - Defined Benefit Pension Plans

##### Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100; Topeka, Kansas 66603-3803) or by calling 1-888-275-5737.

##### Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute from January through December 2008 was 5.93%. The City employer contributions to KPERS for the years ending December 31, 2008, 2007, and 2006 were \$ 216,519, \$ 176,034, and \$ 143,386, respectively, equal to the statutory required contributions for each year. The KP&F uniform participating employer rate established for fiscal years beginning in 2008 is 13.88%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The contributions to KP&F for the years ending December 31, 2008, 2007, and 2006 were \$ 280,510, \$ 231,212, and \$ 182,485, respectively, equal to the statutory required contributions for each year.

CITY OF GARDNER, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

8 - Defined Contribution Plan

The City has established a Section 457 deferred compensation plan for those full-time employees not covered by the KP&F program. The plan administrator International City/County Management Association establishes the annual employee and employer contribution rates for those participating in KPERS as the difference between the rates under the KP&F and KPERS programs. For employees not yet eligible for KPERS, the rates are the same as those for the KP&F program. For 2008, the City's contributions were \$ 116,238.

9 - Other Postemployment Healthcare Benefits

*Description.* The City offers postemployment health and dental insurance to retired employees through MARCIT which is a risk pool comprised of about 59 entity members. MARCIT functions as an agent multiple-employer plan. The pool arrangement that is maintained to collect premiums and pay claims/administrative costs does not qualify as an "OPEB Plan" and thus cannot be treated as holding assets in order to offset OPEB liabilities. Though retiree benefits are not directly paid by the City, they are implicitly paid over time through employer subsidization of active premiums that would be lower if retirees were not part of the experience group. Kansas statutes provide that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements until the individuals become eligible for Medicare coverage at age 65. Retirees of the City (and their dependants) may elect to continue coverage in the medical and dental plans offered through MARCIT. Spousal coverage may continue for up to three years upon retiree death or retiree attainment of age 65. In any event, spousal coverage is not available beyond spouse age 65. MARCIT issues a publicly available financial report that may be obtained by writing to MARCIT at 600 Broadway, Suite 300, Kansas City, Missouri 65104-1659.

*Funding Policy.* Through MARCIT, the City provides health and dental insurance benefits to retirees and their dependants in accordance with Kansas law (K.S.A. 12-5040). Kansas statutes, which may be amended by the state legislature, establish that participating retirees may be required to contribute to the employee group health benefits plan, including administrative costs at an amount not to exceed 125% of the premium cost for other similarly situated employees. The contribution requirements of plan members and the City are established and may be amended by the MARCIT Board of Directors. Retirees contribute 100% of the cost of premiums, which vary depending on the coverage selected.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

9 - Other Postemployment Healthcare Benefits (Continued)

The City appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditures on a pay-as-you-go basis through the General Fund, Proprietary Funds, and Internal Service Funds. In 2008, plan members receiving benefits contributed \$ 7,224 to the plan and the City contributed \$ 4,341 to the plan.

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB (other post employment benefit) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of not to exceed thirty years. The following table presents the components of the City's annual OPEB cost for the year, the amount contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 57,630
Interest on net OPEB obligation	<u>3,458</u>
Annual OPEB cost (expense)	61,088
Contributions made	<u>(4,341)</u>
Increase in net OPEB obligation	56,747
Net OPEB obligation, January 1, 2008	<u>-</u>
Net OPEB obligation, December 31, 2008	<u><u>\$ 56,747</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 61,088	7.11%	\$ 56,747

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

9 - Other Postemployment Healthcare Benefits (Continued)

Funded Status and Funding Progress. As of July 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$ 340,949. The City's policy is to fund the benefits on a pay-as-you-go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 340,949. The covered payroll (annual payroll of active employees covered by the plan) was \$ 6,197,639 and the ratio of the UAAL to the covered payroll was 5.5 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present in time, multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 actuarial valuation, the projected unit credit actuarial cost method was applied. The actuarial assumptions included a 6 percent discount rate, which reflects the expected rate of return of the MARCIT Health and Dental Fund as it is used to pay retiree claims. The valuation assumed annual healthcare cost trend rates of six and one-half to nine percent in the first six years and an ultimate rate of six percent after seven years. The UAAL is being amortized on a level dollar closed basis over a period of 30 years with the remaining amortization period of 29 years.

## CITY OF GARDNER, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

#### 10 - Risk Management

The City is exposed to various risks of loss related to torts; that is, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to employee health benefits and workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have not been significant reductions in claims from prior years.

The City obtains workers' compensation and employee health insurance through its membership in the Kansas Eastern Region Insurance Trust (KERIT) and the Mid-America Regional Council Insurance Trust (MARCIT), whose members consist of local cities and counties. KERIT is a risk-sharing pool organized under the insurance laws of the State of Kansas which self-insures workers' compensation and other related expenses up to certain limits and reinsures additional excess amounts up to certain limits. The City pays annual premiums to KERIT based upon historical experience and legal requirements mandated by the State of Kansas. The trust agreement allows for member assessments in the event claims and expenses exceed KERIT's self-insured retention limit. MARCIT operates as a purchasing pool to provide medical and dental insurance coverage on both a self-insured and conventional basis. The City does not anticipate any additional assessments in excess of premiums paid as a result of its participation in these trusts.

#### 11 - Capital Projects

The City is currently improving its water/sewer and electrical systems, working on street projects and performing various new developments. These projects are being funded primarily by the issuance of bonds, both general obligation and special assessment.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

11 - Capital Projects (Continued)

Following is a summary of project-to-date costs to December 31, 2008 on the capital projects compared to the amount authorized:

	<u>Costs to Date</u>	<u>Amount Authorized</u>
Governmental improvements	\$ 7,160,277	\$ 7,335,111
Benefit districts	6,366,213	20,097,570
Sewer improvements	6,932,971	9,698,300
Water improvements	10,361,573	11,130,634
Electric improvements	181,506	5,512,170
Stormwater improvements	643,263	1,182,352
	<u>\$ 31,645,803</u>	<u>\$ 54,956,137</u>

12 - Long-Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.



# CITY OF GARDNER, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 12 - Long-Term Debt (Continued)

#### General Obligation Bonds (Continued)

General obligation bonds payable at December 31, 2008 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2008	Outstanding December 31, 2008
General Obligation Bonds:					
Governmental activities:					
1998B refunding	4.0%-4.8%	\$ 519,800	9/1/2015	\$ 33,350	\$ 280,600
2001A refunding	3.5%-4.6%	394,661	11/1/2016	25,000	240,000
2002B refunding and improvement	2.0%-4.2%	210,000	9/1/2016	15,000	60,000
2003C refunding and improvement	1.5%-3.6%	2,821,000	10/1/2013	290,350	1,398,350
2004D refunding and improvement	3.5%-4.5%	830,000	10/1/2024	65,000	605,000
2005A improvement	3.1%-4.05%	3,355,000	10/1/2015	305,000	2,475,000
2006A improvement	4.0%-4.125%	3,545,000	10/1/2016	190,000	3,180,000
2008A improvement	3.00%-4.00%	1,810,000	10/1/2018	-	1,810,000
2008B improvement	3.125%-4.5%	435,000	10/1/2028	-	435,000
				<u>\$ 923,700</u>	<u>\$ 10,483,950</u>
Business-type activities:					
1998A improvement	4.1%-4.9%	1,415,000	9/1/2016	\$ 80,000	\$ 780,000
1998B refunding	4.0%-4.8%	1,740,200	9/1/2015	111,650	939,400
1999A improvement	4.3%-5.0%	2,270,000	9/1/2015	140,000	1,195,000
2001A refunding	3.5%-4.7%	8,925,000	11/1/2016	1,620,000	-
2002B refunding and improvement	2.0%-4.2%	4,650,000	9/1/2016	315,000	2,965,000
2003C refunding and improvement	1.5%-3.5%	329,000	10/1/2012	44,650	91,650
2004A improvement	2.25%-3.3%	1,710,000	10/1/2013	1,065,000	-
2004D refunding and improvement	3.5%-3.85%	495,000	10/1/2014	45,000	325,000
2005A improvement	3.1%-4.05%	1,320,000	10/1/2015	120,000	970,000
2006A improvement	4.0%-4.125%	7,150,000	10/1/2016	620,000	6,055,000
2008A improvement	3.00%-4.00%	2,910,000	10/1/2018	-	2,910,000
2008B improvement	3.125%-4.5%	6,250,000	10/1/2018	-	6,250,000
2008D refunding	3.25%-5.40%	1,410,000	11/1/2016	-	1,410,000
				<u>\$ 4,161,300</u>	<u>\$ 23,891,050</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

The future annual requirements for general obligation bonds outstanding as of December 31, 2008 are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 1,112,500	\$ 414,929	\$ 2,692,500	\$ 1,014,541
2010	1,160,350	351,502	2,634,650	833,015
2011	1,218,850	310,788	2,741,150	734,459
2012	1,441,150	267,369	2,818,850	629,505
2013	1,496,400	208,249	2,883,600	518,983
2014 - 2018	3,809,700	382,811	10,120,300	999,700
2019 - 2023	200,000	37,605	-	-
2024 - 2028	45,000	2,025	-	-
	<u>\$ 10,483,950</u>	<u>\$ 1,975,278</u>	<u>\$ 23,891,050</u>	<u>\$ 4,730,203</u>

# CITY OF GARDNER, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 12 - Long-Term Debt (Continued)

#### Special Assessment Bonds

The City's special assessment debt was issued to provide funds for the construction of infrastructure in new residential developments. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. Special assessment bonds at December 31, 2008 are comprised of the following issues:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2008	Outstanding December 31, 2008
Special Assessment Bonds:					
Governmental activities:					
2001A refunding	3.5%-4.6%	\$ 480,339	11/1/2016	\$ 30,000	\$ 295,000
2002B refunding and improvement	2.0%-4.2%	100,000	9/1/2016	10,000	20,000
2003C refunding and improvement	1.5%-4.4%	670,000	10/1/2018	55,000	405,000
2004D refunding and improvement	3.5%-4.1%	1,835,000	10/1/2019	135,000	1,320,000
2008B improvement	3.125%-4.5%	3,215,000	10/1/2028	-	3,215,000
				<u>\$ 230,000</u>	<u>\$ 5,255,000</u>

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

Special Assessment Bonds (Continued)

Annual debt service requirements to maturity for special assessment bonds are as follows:

	Governmental Activities	
	Principal	Interest
2009	\$ 385,000	\$ 221,031
2010	415,000	191,748
2011	415,000	177,340
2012	425,000	162,750
2013	435,000	140,315
2014 - 2018	1,680,000	524,885
2019 - 2023	715,000	261,936
2024 - 2028	785,000	109,175
	<u>\$ 5,255,000</u>	<u>\$ 1,789,180</u>

Refundings

In the current year, the City issued Series 2008D General Obligation Refunding bonds in the amount of \$ 1,410,000. \$ 940,000 of the proceeds and \$ 142,602 of the city's cash were used to partially advance refund Series 2004A General Obligation bonds totaling \$ 1,065,000. These proceeds were placed in an irrevocable escrow account to provide for interest payments on the refunded bonds through the time of redemption and principal amounts due on the applicable call/redemption dates. As a result, the refunded bonds are considered to be defeased and the liability for the bonds has been removed from the Electric fund and business-type activities columns on the Statements of Activities. The reacquisition price exceeded the net carrying amount of the old debt by \$ 17,602. This amount is being netted against the new debt and amortized over the life of the old debt, which is shorter than the refunding debt. At December 31, 2008, \$ 900,000 of the bonds that are considered defeased remain outstanding.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

Refundings (Continued)

The remaining \$ 470,000 from the issuance of the Series 2008D General Obligation Refunding bonds and \$ 1,177,480 of the City's cash were used to partially currently refund Series 2001A General Obligation bonds totaling \$ 1,620,000. The reacquisition price exceeded the net carrying amount of the old debt by \$ 85,700. This amount is being netted against the new debt and amortized over the life of the old debt, which is shorter than the life of the refunding debt.

The refunding transactions resulted in an economic loss of \$ 81,904 and an increase of \$ 114,713 in future debt service payments.

Construction Loans Payable

During 1996, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$ 2,223,206 to finance improvements to the wastewater system. The loan is being repaid over twenty years at an interest rate of 3.22%. The outstanding balance of \$ 1,026,750 is shown as a liability in the wastewater fund.

During 2000, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$ 20,078,700 to finance improvements to the wastewater system. The loan is being repaid over twenty years at an interest rate of 3.30%. The outstanding balance of \$ 15,576,582 is shown as a liability in the wastewater fund.

During 2006, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$ 4,318,315 to finance improvements to the wastewater system. The loan will be repaid over twenty years at an interest rate of 2.65%. As of December 31, 2008, the City has drawn \$ 3,065,292 on this loan. Payments of \$ 465,730 were made in 2008, leaving a total outstanding balance of \$ 2,599,563 which is shown as a liability in the wastewater fund. The debt service requirements to the maturity date will not be determinable until the final draw has been made.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

Construction Loans Payable (Continued)

During 2005, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Public Water Supply Loan Fund. The agreement enabled the City to borrow \$ 7,582,910 to finance improvements to the water system. The loan will be repaid over ten years at an interest rate of 3.49%. As of December 31, 2008, the City has drawn \$ 7,582,910 on this loan. Payments of \$ 674,174 were made in 2008, leaving a total outstanding balance of \$ 6,230,991, which is shown as a liability in the water fund.

During 2006, the City entered into two loan agreements with the Kansas Department of Transportation. The agreements enabled the City to borrow \$ 1,994,206 to finance significant street improvement projects. The loans will be repaid over ten years at an interest rate of 3.6%. As of December 31, 2008, the City has drawn \$ 1,113,302 on these loans. Payments of \$ 156,490 were made in 2008, leaving a total outstanding balance of \$ 647,188. The loans are shown as liabilities in the governmental activities column of the statement of net assets.

During 2007, the City entered into a loan agreement with the Kansas Department of Transportation. The agreement enabled the City to borrow \$ 2,003,593 to finance significant street improvement projects. The loans will be repaid over ten years at an interest rate of 3.62%. As of December 31, 2008, the City has drawn \$ 1,360,976 on this loan. Payments of \$ 208,403 were made in 2008, leaving a total outstanding balance of \$ 1,152,573. The loan is shown as a liability in the governmental activities column of the statement of net assets. The debt service requirements to the maturity dates will not be determinable until the final draws have been made.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

Construction Loans Payable (Continued)

The future annual debt service requirements for the amortizable loans payable are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 162,504	\$ 24,942	\$ 1,349,929	\$ 792,937
2010	108,216	18,698	1,170,603	748,862
2011	73,952	14,532	1,212,278	707,188
2012	76,807	11,677	1,415,096	662,625
2013	79,772	8,712	1,465,510	612,212
2014 - 2018	145,937	8,068	8,303,562	2,235,470
2019 - 2023	-	-	6,638,783	725,202
2024 - 2028	-	-	1,278,562	79,214
	<u>\$ 647,188</u>	<u>\$ 86,629</u>	<u>\$ 22,834,323</u>	<u>\$ 6,563,710</u>

PBC Lease Revenue Bonds

The PBC has issued \$ 4,000,000 of Public Building Commission lease revenue bonds series 2002A with interest rates ranging from 3% to 4.7% and with a final maturity in 2021. Principal payments are scheduled annually ranging from \$ 115,000 to \$ 505,000.

CITY OF GARDNER, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

PBC Lease Revenue Bonds (Continued)

Future maturities of the PBC lease revenue bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 115,000	\$ 163,878	\$ 278,878
2010	135,000	159,277	294,277
2011	160,000	153,743	313,743
2012	180,000	146,863	326,863
2013	205,000	139,123	344,123
2014-2018	1,495,000	536,123	2,031,123
2019-2023	1,370,000	132,585	1,502,585
	<u>\$ 3,660,000</u>	<u>\$ 1,431,592</u>	<u>\$ 5,091,592</u>

On August 1, 2002, the City entered into an irrevocable lease agreement with the PBC. The purpose of the lease agreement is for the City to rent the building financed by the PBC Lease Revenue Bonds, Series 2002A. The rental payments are the same as the scheduled 2002A debt payments.

Certificates of Participation

The City has issued \$ 7,150,000 of certificates of participation series 2006D with interest rates ranging from 3.75% to 4% and with a final maturity in 2016. Principal payments are scheduled annually ranging from \$ 475,000 to \$ 1,195,000.

Future maturities of the certificates of participation are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 475,000	\$ 236,925	\$ 711,925
2010	620,000	219,112	839,112
2011	810,000	195,863	1,005,863
2012	755,000	165,488	920,488
2013	810,000	137,175	947,175
2014-2018	2,670,000	192,600	2,862,600
	<u>\$ 6,140,000</u>	<u>\$ 1,147,163</u>	<u>\$ 7,287,163</u>



CITY OF GARDNER, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

Capital Leases

The City has entered into the following capital leases in governmental funds:

	<u>Fire Pumper</u>
Cost	\$ 989,000
Accumulated depreciation at December 31, 2008	148,350
Interest rate	5.38%
Dated	04/06/07
Term	10 years

The annual debt service requirements for the capital lease to be paid with governmental funds at December 31, 2008 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 81,403	\$ 49,052	\$ 130,455
2010	85,781	44,673	130,454
2011	90,396	40,058	130,454
2012	95,260	35,195	130,455
2013	100,385	30,070	130,455
2014-2018	458,530	63,287	521,817
	<u>\$ 911,755</u>	<u>\$ 262,335</u>	<u>\$ 1,174,090</u>

2008 amortization of \$ 98,900 on the asset acquired through capital lease has been included in depreciation expense in the governmental activities.

CITY OF GARDNER, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

Capital Leases (Continued)

The City has entered into the following capital lease in a proprietary fund:

	<u>Vactor</u>
Cost	\$ 226,331
Accumulated depreciation at December 31, 2008	33,950
Interest rate	5.57%
Dated	02/12/07
Term	4 years

The annual debt service requirements for the capital lease to be paid with proprietary funds at December 31, 2008 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 42,752	\$ 7,549	\$ 50,301
2010	45,133	5,168	50,301
2011	47,648	2,654	50,302
	<u>\$ 135,533</u>	<u>\$ 15,371</u>	<u>\$ 150,904</u>

2008 amortization of \$ 22,633 on the asset acquired through a capital lease has been included in depreciation expense in the proprietary activities.

CITY OF GARDNER, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 9,162,650	\$ 2,245,000	\$ 923,700	\$ 10,483,950	\$ 1,112,500
Plus deferred amounts:					
Issuance premiums	-	36,180	-	36,180	-
Special assessment debt with government commitment	2,270,000	3,215,000	230,000	5,255,000	385,000
Construction loans payable	1,513,022	651,632	364,893	1,799,761	162,504
Certificates of participation	6,535,000	-	395,000	6,140,000	475,000
PBC lease revenue bonds	3,760,000	-	100,000	3,660,000	115,000
Capital lease obligations	1,056,393	-	144,638	911,755	81,403
Compensated absences	182,093	248,998	229,577	201,514	201,514
Other postemployment benefit obligation	-	46,505	4,341	42,164	-
<b>Governmental activities long- term liabilities</b>	<b>\$ 24,479,158</b>	<b>\$ 6,443,315</b>	<b>\$ 2,392,149</b>	<b>\$ 28,530,324</b>	<b>\$ 2,532,921</b>
<b>Business-type activities:</b>					
General obligation bonds	\$ 17,482,350	\$ 10,570,000	\$ 4,161,300	\$ 23,891,050	\$ 2,692,500
Construction loans payable	25,349,440	2,079,850	1,995,404	25,433,886	1,349,929
Capital lease obligations	176,030	-	40,497	135,533	42,752
Less deferred amounts:					
Issuance premiums	60,664	124,403	60,664	124,403	-
Refunding difference	(54,346)	8,792	53,096	(98,650)	-
<b>Total</b>	<b>43,014,138</b>	<b>12,783,045</b>	<b>6,310,961</b>	<b>49,486,222</b>	<b>4,085,181</b>
Compensated absences	75,764	78,544	88,699	65,609	65,609
Other postemployment benefit obligation	-	14,583	-	14,583	-
<b>Business-type activities long- term liabilities</b>	<b>\$ 43,089,902</b>	<b>\$ 12,876,172</b>	<b>\$ 6,399,660</b>	<b>\$ 49,566,414</b>	<b>\$ 4,150,790</b>
<b>Component unit:</b>					
Loan payable to primary government	\$ 147,407	\$ 19,992	\$ -	\$ 167,399	\$ 11,000

For the governmental activities, compensated absences are generally liquidated by the general fund.

# CITY OF GARDNER, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 13 - Bond Anticipation Notes Payable

The City issues bond anticipation notes to provide temporary financing for capital improvement projects. Bond anticipation notes payable at December 31, 2008 were as follows:

Issue	Original Amount	Interest Rate	Maturity Date	
2007B	\$ 13,345,000	3.60%	10/1/2009	
2008C	\$ 7,520,000	2.35%	10/1/2009	
	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Bond anticipation notes	\$ 9,945,000	\$ 7,520,000	\$ 5,750,000	\$ 11,715,000
Business-type activities:				
Bond anticipation notes	\$ 6,865,000	\$ -	\$ 6,865,000	\$ -

### 14 - Temporary Notes

During the years ended December 31, 2007 and 2006, the City issued temporary notes to temporarily finance the cost of certain internal improvements. The total amount outstanding as of December 31, 2008 was \$ 400,700. The temporary notes were internally issued and purchased and therefore eliminated for financial statement purposes.

### 15 - Special Assessments

Kansas statutes require special benefit district projects financed in part by special assessments to be financed through the issuance of general obligation bonds that are secured by the full faith and credit of the City. Further, state statutes permit levying additional general ad valorem taxes in the City's Debt Service Fund to finance delinquent special assessments receivable. Accordingly, special assessments receivable are accounted for within the City's debt service fund. Special assessments are levied over the repayment period of the bonds and the annual installments are due and payable with annual ad valorem taxes. At December 31, 2008, the special assessment taxes levied are a lien on the property and are recorded as a special assessments receivable in the debt service fund with a corresponding amount recorded as deferred revenue. Special assessments receivable at December 31, 2008 was \$ 7,247,858.

CITY OF GARDNER, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

16 - Interfund Transactions

Interfund transfers for the year ended December 31, 2008 consisted of the following:

Transfers to general fund from:

Electric fund	\$	602,448
Water fund		54,100
Wastewater fund		104,100
Nonmajor governmental funds		5,000
	\$	<u>765,648</u>

Transfers to debt service fund from:

Electric fund	\$	17,539
Water fund		17,539
Wastewater fund		17,539
Nonmajor governmental funds		1,474,863
	\$	<u>1,527,480</u>

Transfers to nonmajor governmental funds from:

General fund	\$	100,000
Nonmajor governmental funds		120,000
	\$	<u>220,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# CITY OF GARDNER, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 16 - Interfund Transactions (Continued)

Due to and due from other funds are reported in the financial statements as follows:

Amounts owed from nonmajor governmental funds to:	
Electric fund	\$ 38,401
Nonmajor governmental funds	1,932,409
	<u>\$ 1,970,810</u>
Amounts owed from the nonmajor enterprise fund to:	
Nonmajor governmental funds	<u>\$ 849,260</u>
Amounts owed from the internal service funds to:	
Nonmajor governmental funds	<u>\$ 9,749</u>
Amounts owed from the general fund to:	
Electric fund	\$ 7,672
Water fund	87
Wastewater fund	432
Internal service funds	1,309
	<u>\$ 9,500</u>
Amounts owed from the water fund to:	
Nonmajor governmental funds	<u>\$ 2,622</u>
Amounts owed from the wastewater fund to:	
Nonmajor governmental funds	<u>\$ 26,019</u>

The outstanding balances between nonmajor governmental funds were created to eliminate negative cash balances in the payable funds due to project payment timing.

The outstanding balance between proprietary funds was created to reflect the balance owed for services provided.

### 17 - Commitments and Contingencies

#### Litigation

The City is involved in various lawsuits incurred through normal operations. It is the opinion of the City's management that the outcome of this litigation will not result in a material loss to the City in excess of applicable insurance coverage.

REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF GARDNER, KANSAS

## Schedule of Funding Progress

### Health Insurance Post Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL)\ (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2007	\$ -	\$ 340,949	\$ 340,949	0.0%	\$ 6,197,639	5.5%



## OTHER SUPPLEMENTARY INFORMATION

## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Airport Fund – This fund is used to account for receipt of loan payments for a loan the City made in 2002 to the Airport Association component unit for airport improvements.

Law Enforcement Trust Fund – This fund is used to account for monies forfeited to the City of Gardner Police Department relating to controlled substance investigation forfeitures. Expenditures from this fund shall be made only for authorized law enforcement purposes of the Gardner Police Department.

Park Sales Tax Fund – This fund is used to account for the sales tax revenues that are restricted to expenditures relating to the acquisition and construction of the new Celebration Park Complex and the Aquatics Center.

Special Alcohol/Drug Program Fund – This fund is used to account for special alcohol liquor tax revenues that are restricted for the purpose of funding programs for the education, treatment, and intervention of alcohol and drug abuse.

Street Improvement Fund – This fund is used to account for receipt of the City's excise fee on platted land. The expenditures in this fund are specifically restricted for the purpose of improvement of existing streets and the construction of new streets necessitated by the City's new development growth.

Special Highway Fund – This fund is used to account for county/city revenue sharing of a portion of the State's motor fuel tax. These revenues are restricted to the construction and maintenance of streets, the repair and replacement of curbs, and the repair and construction of sidewalks within the City's boundaries.

Special Parks and Recreation Fund – This fund is used to account for special alcohol liquor tax revenues that are restricted to expenditures for the purchase, establishment, maintenance, or expansion of park and recreational services, programs, and facilities.

East Santa Fe TIF District Fund – This fund is used to account for the captured ad valorem tax increment and sales tax increment from properties within the Redevelopment District created by Ordinance 2110, adopted June 21, 2004. The captured increments are to be used to reimburse the developer for "reimbursable project costs" as defined in the 175<sup>th</sup> and Cedar Niles Redevelopment Agreement dated January 3, 2005.

Economic Development Reserve Fund – This fund is used to account for transient guest tax revenues that are restricted for the purpose of convention and tourism promotion.

Risk Management Reserve Fund – This fund is used to account for monies that the City may transfer from other funds to cover any risk that would otherwise be insurable, such as deductibles, etc.

Capital Improvement Reserve Fund – This fund is used to account for monies that the City may transfer from time to time from other funds to finance multi-year capital projects.

Park Improvement Reserve Fund – This fund is used to account for impact fees assessed by the City on every new building permit and is restricted for the purpose of park improvements and park land purchases necessitated by the City's new development growth.

### **Capital Projects Funds**

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The funds listed below are used to account for the construction of various capital projects as identified by the name of each fund:

Prairiebrooke Fund  
Airport Runway Rehab Fund  
City Hall Fund  
Cedar Street Fund  
North Moonlight Fund  
South Moonlight Fund  
167<sup>th</sup> Street Fund  
Waverly Street Fund  
183<sup>rd</sup> Street Fund  
Lincoln Lane Fund  
Moonlight & Main Fund  
Shean's Crossing Fund  
Airport Hangars Fund

New Century Fund  
Public Works Facility Fund  
175<sup>th</sup> & Moonlight Intersection Fund  
University Park Fund  
Kill Creek Drive/Waterline  
Center Street Commons  
North Center Street  
Nike School Sewer Fund  
Public Safety Station #2 Fund  
Pool Expansion Fund  
Gardner Junction Park Fund  
Celebration Park Fund

## CITY OF GARDNER, KANSAS

## COMBINING BALANCE SHEET

## NONMAJOR GOVERNMENTAL FUNDS

December 31, 2008

	Special Revenue				
	Airport	Law Enforcement Trust	Park Sales Tax	Special Alcohol/ Drug Program	Street Improvement
<u>ASSETS</u>					
Deposits and investments	\$ 8,529	\$ 1,003	\$ -	\$ 35,717	\$ 1,262,618
Receivables:					
Taxes	-	-	136,585	-	-
Intergovernmental	-	-	-	-	-
Airport Association	-	-	-	-	-
Other	-	-	-	-	-
Restricted deposits and investments	-	-	202,675	-	-
Due from other funds	-	-	-	-	2,554,361
Total assets	<u>\$ 8,529</u>	<u>\$ 1,003</u>	<u>\$ 339,260</u>	<u>\$ 35,717</u>	<u>\$ 3,816,979</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 12,435
Temporary notes payable	-	-	-	-	-
Due to other funds	-	-	257,180	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>257,180</u>	<u>-</u>	<u>12,435</u>
Fund balances:					
Reserved for encumbrances	-	-	-	-	111,771
Reserved for long-term loan receivable	-	-	-	-	-
Unreserved, undesignated	8,529	1,003	82,080	35,717	3,692,773
Total fund balances	<u>8,529</u>	<u>1,003</u>	<u>82,080</u>	<u>35,717</u>	<u>3,804,544</u>
Total liabilities and fund balances	<u>\$ 8,529</u>	<u>\$ 1,003</u>	<u>\$ 339,260</u>	<u>\$ 35,717</u>	<u>\$ 3,816,979</u>

(Continued)

## CITY OF GARDNER, KANSAS

COMBINING BALANCE SHEET  
(Continued)

## NONMAJOR GOVERNMENTAL FUNDS

December 31, 2008

	Special Revenue						
	Special Highway	Special Parks and Recreation	E. Santa Fe TIF District	Economic Development Reserve	Risk Management Reserve	Capital Improvement Reserve	Park Improvement Reserve
<u>ASSETS</u>							
Deposits and investments	\$ 129,269	\$ 73,841	\$ 2	\$ 97,797	\$ 107,924	\$ 252,803	\$ 516,889
Receivables:							
Taxes	-	-	96,908	-	-	-	50,179
Intergovernmental	121,837	-	-	9,354	-	-	-
Airport Association	-	-	-	-	-	-	-
Other	-	-	-	-	-	1,738	-
Restricted deposits and investments	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	8,518	257,180
Total assets	<u>\$ 251,106</u>	<u>\$ 73,841</u>	<u>\$ 96,910</u>	<u>\$ 107,151</u>	<u>\$ 107,924</u>	<u>\$ 263,059</u>	<u>\$ 824,248</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,075	\$ -
Temporary notes payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,075</u>	<u>-</u>
Fund balances:							
Reserved for encumbrances	-	21,369	-	-	-	121,525	-
Reserved for long-term loan receivable	-	-	-	-	-	-	-
Unreserved, undesignated	251,106	52,472	96,910	107,151	107,924	123,459	824,248
Total fund balances	<u>251,106</u>	<u>73,841</u>	<u>96,910</u>	<u>107,151</u>	<u>107,924</u>	<u>244,984</u>	<u>824,248</u>
Total liabilities and fund balances	<u>\$ 251,106</u>	<u>\$ 73,841</u>	<u>\$ 96,910</u>	<u>\$ 107,151</u>	<u>\$ 107,924</u>	<u>\$ 263,059</u>	<u>\$ 824,248</u>

(Continued)

## CITY OF GARDNER, KANSAS

## COMBINING BALANCE SHEET

(Continued)

## NONMAJOR GOVERNMENTAL FUNDS

December 31, 2008

	Special Revenue	Capital Projects					
	Total	Prairiebrooke	Airport Runway Rehab	City Hall	Cedar Street	North Moonlight	South Moonlight
<u>ASSETS</u>							
Deposits and investments	\$ 2,486,392	\$ -	\$ 1,721	\$ -	\$ 35,494	\$ -	\$ 156,822
Receivables:							
Taxes	283,672	-	-	-	-	-	-
Intergovernmental	131,191	-	-	-	-	-	-
Airport Association	-	-	167,399	-	-	-	-
Other	1,738	-	-	-	-	-	-
Restricted deposits and investments	202,675	1,440,224	-	103	-	-	-
Due from other funds	2,820,059	-	-	-	-	-	-
Total assets	<u>\$ 5,925,727</u>	<u>\$ 1,440,224</u>	<u>\$ 169,120</u>	<u>\$ 103</u>	<u>\$ 35,494</u>	<u>\$ -</u>	<u>\$ 156,822</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ 30,510	\$ -	\$ -	\$ -	\$ -	\$ 88	\$ -
Temporary notes payable	-	1,615,000	-	-	-	-	-
Due to other funds	257,180	-	-	-	-	147,942	-
Total liabilities	<u>287,690</u>	<u>1,615,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,030</u>	<u>-</u>
Fund balances:							
Reserved for encumbrances	254,665	-	-	-	-	-	-
Reserved for long-term loan receivable	-	-	167,399	-	-	-	-
Unreserved, undesignated	5,383,372	(174,776)	1,721	103	35,494	(148,030)	156,822
Total fund balances	<u>5,638,037</u>	<u>(174,776)</u>	<u>169,120</u>	<u>103</u>	<u>35,494</u>	<u>(148,030)</u>	<u>156,822</u>
Total liabilities and fund balances	<u>\$ 5,925,727</u>	<u>\$ 1,440,224</u>	<u>\$ 169,120</u>	<u>\$ 103</u>	<u>\$ 35,494</u>	<u>\$ -</u>	<u>\$ 156,822</u>

(Continued)

## CITY OF GARDNER, KANSAS

COMBINING BALANCE SHEET  
(Continued)

## NONMAJOR GOVERNMENTAL FUNDS

December 31, 2008

	Capital Projects						
	167th Street	Waverly Street	183rd Street	Lincoln Lane	Moonlight & Main	Shean's Crossing	Airport Hangars
<u>ASSETS</u>							
Deposits and investments	\$ 22,714	\$ 138,410	\$ 67,434	\$ -	\$ -	\$ -	\$ 33,303
Receivables:							
Taxes	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Airport Association	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Restricted deposits and investments	-	-	-	-	-	4,772	-
Due from other funds	-	-	-	-	-	-	-
Total assets	<u>\$ 22,714</u>	<u>\$ 138,410</u>	<u>\$ 67,434</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,772</u>	<u>\$ 33,303</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ (15)	\$ -	\$ -	\$ 160,608	\$ 1,909	\$ -	\$ -
Temporary notes payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	685	482,732	-	-
Total liabilities	<u>(15)</u>	<u>-</u>	<u>-</u>	<u>161,293</u>	<u>484,641</u>	<u>-</u>	<u>-</u>
Fund balances:							
Reserved for encumbrances	-	-	-	43,918	13,751	-	-
Reserved for long-term loan receivable	-	-	-	-	-	-	-
Unreserved, undesignated	22,729	138,410	67,434	(205,211)	(498,392)	4,772	33,303
Total fund balances	<u>22,729</u>	<u>138,410</u>	<u>67,434</u>	<u>(161,293)</u>	<u>(484,641)</u>	<u>4,772</u>	<u>33,303</u>
Total liabilities and fund balances	<u>\$ 22,714</u>	<u>\$ 138,410</u>	<u>\$ 67,434</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,772</u>	<u>\$ 33,303</u>

(Continued)

## CITY OF GARDNER, KANSAS

COMBINING BALANCE SHEET  
(Continued)

## NONMAJOR GOVERNMENTAL FUNDS

December 31, 2008

	Capital Projects						
	New Century	Public Works Facility	175th & Moonlight Intersection	University Park	Kill Creek Drive/ Waterline	Center Street Commons	North Center Street
<u>ASSETS</u>							
Deposits and investments	\$ -	\$ 311,663	\$ -	\$ -	\$ -	\$ 5,894	\$ 98,076
Receivables:							
Taxes	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Airport Association	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Restricted deposits and investments	-	-	-	639,767	131,004	-	-
Due from other funds	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 311,663</u>	<u>\$ -</u>	<u>\$ 639,767</u>	<u>\$ 131,004</u>	<u>\$ 5,894</u>	<u>\$ 98,076</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 7,531	\$ 9,724	\$ -	\$ -	\$ -
Temporary notes payable	-	-	-	3,360,000	2,545,000	-	-
Due to other funds	-	-	1,073,742	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>1,081,273</u>	<u>3,369,724</u>	<u>2,545,000</u>	<u>-</u>	<u>-</u>
Fund balances:							
Reserved for encumbrances	-	-	129,601	15,300	-	-	-
Reserved for long-term loan receivable	-	-	-	-	-	-	-
Unreserved, undesignated	-	311,663	(1,210,874)	(2,745,257)	(2,413,996)	5,894	98,076
Total fund balances	<u>-</u>	<u>311,663</u>	<u>(1,081,273)</u>	<u>(2,729,957)</u>	<u>(2,413,996)</u>	<u>5,894</u>	<u>98,076</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 311,663</u>	<u>\$ -</u>	<u>\$ 639,767</u>	<u>\$ 131,004</u>	<u>\$ 5,894</u>	<u>\$ 98,076</u>

(Continued)



## CITY OF GARDNER, KANSAS

COMBINING BALANCE SHEET  
(Continued)

## NONMAJOR GOVERNMENTAL FUNDS

December 31, 2008

	Capital Projects						Total Nonmajor Governmental Funds
	Nike School Sewer	Public Safety Station #2	Pool Expansion	Gardner Junction Park	Celebration Park	Total	
<b>ASSETS</b>							
Deposits and investments	\$ -	\$ 1,093	\$ 6,202	\$ -	\$ -	\$ 878,826	\$ 3,365,218
Receivables:							
Taxes	-	-	-	-	-	-	283,672
Intergovernmental	-	-	-	-	-	-	131,191
Airport Association	-	-	-	-	-	167,399	167,399
Other	-	-	-	-	-	-	1,738
Restricted deposits and investments	-	-	-	-	273,839	2,489,709	2,692,384
Due from other funds	-	-	-	-	-	-	2,820,059
Total assets	<u>\$ -</u>	<u>\$ 1,093</u>	<u>\$ 6,202</u>	<u>\$ -</u>	<u>\$ 273,839</u>	<u>\$ 3,535,934</u>	<u>\$ 9,461,661</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 11,920	\$ 191,765	\$ 222,275
Temporary notes payable	-	-	-	-	-	7,520,000	7,520,000
Due to other funds	11	-	-	8,518	-	1,713,630	1,970,810
Total liabilities	<u>11</u>	<u>-</u>	<u>-</u>	<u>8,518</u>	<u>11,920</u>	<u>9,425,395</u>	<u>9,713,085</u>
Fund balances:							
Reserved for encumbrances	-	-	-	-	406,403	608,973	863,638
Reserved for long-term loan receivable	-	-	-	-	-	167,399	167,399
Unreserved, undesignated	(11)	1,093	6,202	(8,518)	(144,484)	(6,665,833)	(1,282,461)
Total fund balances	<u>(11)</u>	<u>1,093</u>	<u>6,202</u>	<u>(8,518)</u>	<u>261,919</u>	<u>(5,889,461)</u>	<u>(251,424)</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 1,093</u>	<u>\$ 6,202</u>	<u>\$ -</u>	<u>\$ 273,839</u>	<u>\$ 3,535,934</u>	<u>\$ 9,461,661</u>

CITY OF GARDNER, KANSAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2008

	Special Revenue				
	Airport	Law Enforcement Trust	Park Sales Tax	Special Alcohol/ Drug Program	Street Improvement
Revenues:					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	812,512	-	-
Excise tax	-	-	-	-	395,182
Intergovernmental	-	995	-	30,057	-
Licenses and permits	-	-	-	-	-
Investment earnings	319	8	4,971	648	78,591
Other	-	-	-	-	-
Total revenues	319	1,003	817,483	30,705	473,773
Expenditures:					
Current:					
General government	-	-	-	22,000	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	159,199
Debt service:					
Principal	-	-	395,000	-	-
Interest and fiscal charges	-	-	251,738	-	-
Other	-	-	-	-	-
Total expenditures	-	-	646,738	22,000	159,199
Excess of revenues over (under) expenditures	319	1,003	170,745	8,705	314,574
Other financing sources (uses):					
General obligation bonds issued	-	-	-	-	-
Premium on general obligation bonds	-	-	-	-	-
Construction loan	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	(325,175)	-	(1,132,384)
Total other financing sources (uses)	-	-	(325,175)	-	(1,132,384)
Net change in fund balances	319	1,003	(154,430)	8,705	(817,810)
Fund balances, beginning of year	8,210	-	236,510	27,012	4,622,354
Fund balances, end of year	\$ 8,529	\$ 1,003	\$ 82,080	\$ 35,717	\$ 3,804,544

(Continued)

CITY OF GARDNER, KANSAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
(Continued)

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2008

	Special Revenue						
	Special Highway	Special Parks and Recreation	E. Santa Fe TIF District	Economic Development Reserve	Risk Management Reserve	Capital Improvement Reserve	Park Improvement Reserve
Revenues:							
Property tax	\$ -	\$ -	\$ 249,500	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	485,548	-	-	-	-
Excise tax	-	-	-	-	-	-	-
Intergovernmental	461,188	30,057	-	45,573	-	-	289,749
Licenses and permits	-	-	-	-	-	-	53,671
Investment earnings	5,660	1,230	1,402	1,695	-	5,513	13,200
Other	-	-	-	-	-	-	-
Total revenues	466,848	31,287	736,450	47,268	-	5,513	356,620
Expenditures:							
Current:							
General government	15	-	730,365	51,330	5,170	-	-
Culture and recreation	-	-	-	-	-	-	-
Capital outlay	494,281	16,606	-	-	1,356	511,077	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total expenditures	494,296	16,606	730,365	51,330	6,526	511,077	-
Excess of revenues over (under) expenditures	(27,448)	14,681	6,085	(4,062)	(6,526)	(505,564)	356,620
Other financing sources (uses):							
General obligation bonds issued	-	-	-	-	-	-	-
Premium on general obligation bonds	-	-	-	-	-	-	-
Construction loan	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	220,000	-
Transfers out	(17,304)	-	(5,000)	-	-	-	(120,000)
Total other financing sources (uses)	(17,304)	-	(5,000)	-	-	220,000	(120,000)
Net change in fund balances	(44,752)	14,681	1,085	(4,062)	(6,526)	(285,564)	236,620
Fund balances, beginning of year	295,858	59,160	95,825	111,213	114,450	530,548	587,628
Fund balances, end of year	\$ 251,106	\$ 73,841	\$ 96,910	\$ 107,151	\$ 107,924	\$ 244,984	\$ 824,248

(Continued)

CITY OF GARDNER, KANSAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
(Continued)

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2008

	Special Revenue	Capital Projects					
	Total	Prairiebrooke	Airport Runway Rehab	City Hall	Cedar Street	North Moonlight	South Moonlight
Revenues:							
Property tax	\$ 249,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	1,298,060	-	-	-	-	-	-
Excise tax	395,182	-	-	-	-	-	-
Intergovernmental	857,619	-	136,059	-	-	-	-
Licenses and permits	53,671	-	-	-	-	-	-
Investment earnings	113,237	6,298	240	-	641	39	2,831
Other	-	2,358	-	-	-	-	-
Total revenues	2,967,269	8,656	136,299	-	641	39	2,831
Expenditures:							
Current:							
General government	808,880	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Capital outlay	1,182,519	169,020	19,991	-	-	176,960	-
Debt service:							
Principal	395,000	-	-	-	-	-	-
Interest and fiscal charges	251,738	-	-	-	-	-	-
Other	-	14,412	2,520	-	-	-	-
Total expenditures	2,638,137	183,432	22,511	-	-	176,960	-
Excess of revenues over (under) expenditures	329,132	(174,776)	113,788	-	641	(176,921)	2,831
Other financing sources (uses):							
General obligation bonds issued	-	-	170,000	-	-	-	-
Premium on general obligation bonds	-	-	1,439	-	-	-	-
Construction loan	-	-	-	-	-	-	-
Transfers in	220,000	-	-	-	-	-	-
Transfers out	(1,599,863)	-	-	-	-	-	-
Total other financing sources (uses)	(1,379,863)	-	171,439	-	-	-	-
Net change in fund balances	(1,050,731)	(174,776)	285,227	-	641	(176,921)	2,831
Fund balances, beginning of year	6,688,768	-	(116,107)	103	34,853	28,891	153,991
Fund balances, end of year	\$ 5,638,037	\$ (174,776)	\$ 169,120	\$ 103	\$ 35,494	\$ (148,030)	\$ 156,822

(Continued)

CITY OF GARDNER, KANSAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
(Continued)

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2008

	Capital Projects						
	167th Street	Waverly Street	183rd Street	Lincoln Lane	Moonlight & Main	Shean's Crossing	Airport Hangars
Revenues:							
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-	-	-	-
Excise tax	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Investment earnings	410	2,498	1,217	-	-	84	601
Other	-	-	-	-	-	-	-
Total revenues	410	2,498	1,217	-	-	84	601
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Capital outlay	-	-	-	319,773	457,561	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total expenditures	-	-	-	319,773	457,561	-	-
Excess of revenues over (under) expenditures	410	2,498	1,217	(319,773)	(457,561)	84	601
Other financing sources (uses):							
General obligation bonds issued	-	-	-	-	-	-	-
Premium on general obligation bonds	-	-	-	-	-	-	-
Construction loan	-	-	-	651,632	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	651,632	-	-	-
Net change in fund balances	410	2,498	1,217	331,859	(457,561)	84	601
Fund balances, beginning of year	22,319	135,912	66,217	(493,152)	(27,080)	4,688	32,702
Fund balances, end of year	\$ 22,729	\$ 138,410	\$ 67,434	\$ (161,293)	\$ (484,641)	\$ 4,772	\$ 33,303

(Continued)

CITY OF GARDNER, KANSAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
(Continued)

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2008

	Capital Projects						
	New Century	Public Works Facility	175th & Moonlight Intersection	University Park	Kill Creek Drive/Waterline	Center Street Commons	North Center Street
Revenues:							
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-	-	-	-
Excise tax	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Investment earnings	13,365	5,625	-	22,327	11,748	881	1,817
Other	-	-	-	4,906	3,716	-	-
Total revenues	13,365	5,625	-	27,233	15,464	881	1,817
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Capital outlay	5,493	-	911,707	45,395	65,342	29,239	3,490
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	38,986	-	-	123,140	93,060	27,519	-
Other	56,066	-	-	29,985	22,710	13,846	-
Total expenditures	100,545	-	911,707	198,520	181,112	70,604	3,490
Excess of revenues over (under) expenditures	(87,180)	5,625	(911,707)	(171,287)	(165,648)	(69,723)	(1,673)
Other financing sources (uses):							
General obligation bonds issued	2,380,000	-	-	-	-	630,000	-
Premium on general obligation bonds	555	-	-	-	-	10,214	-
Construction loan	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	2,380,555	-	-	-	-	640,214	-
Net change in fund balances	2,293,375	5,625	(911,707)	(171,287)	(165,648)	570,491	(1,673)
Fund balances, beginning of year	(2,293,375)	306,038	(169,566)	(2,558,670)	(2,248,348)	(564,597)	99,749
Fund balances, end of year	\$ -	\$ 311,663	\$ (1,081,273)	\$ (2,729,957)	\$ (2,413,996)	\$ 5,894	\$ 98,076

(Continued)

CITY OF GARDNER, KANSAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
(Continued)

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2008

	Capital Projects					Total	Total Nonmajor Governmental Funds
	Nike School Sewer	Public Safety Station #2	Pool Expansion	Gardner Junction Park	Celebration Park		
Revenues:							
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 249,500
Sales tax	-	-	-	-	-	-	1,298,060
Excise tax	-	-	-	-	-	-	395,182
Intergovernmental	-	-	-	52,954	-	189,013	1,046,632
Licenses and permits	-	-	-	-	-	-	53,671
Investment earnings	1,174	2,259	632	-	17,989	92,676	205,913
Other	-	-	-	-	15,000	25,980	25,980
Total revenues	1,174	2,259	632	52,954	32,989	307,669	3,274,938
Expenditures:							
Current:							
General government	-	-	-	-	-	-	808,880
Culture and recreation	-	-	-	504	-	504	504
Capital outlay	138	146,575	-	4,590	729,064	3,084,338	4,266,857
Debt service:							
Principal	-	-	-	-	-	-	395,000
Interest and fiscal charges	11,372	-	-	-	-	294,077	545,815
Other	4,508	24,311	9,562	-	-	177,920	177,920
Total expenditures	16,018	170,886	9,562	5,094	729,064	3,556,839	6,194,976
Excess of revenues over (under) expenditures	(14,844)	(168,627)	(8,930)	47,860	(696,075)	(3,249,170)	(2,920,038)
Other financing sources (uses):							
General obligation bonds issued	205,000	1,640,000	435,000	-	-	5,460,000	5,460,000
Premium on general obligation bonds	3,347	13,537	7,088	-	-	36,180	36,180
Construction loan	-	-	-	-	-	651,632	651,632
Transfers in	-	-	-	-	-	-	220,000
Transfers out	-	-	-	-	-	-	(1,599,863)
Total other financing sources (uses)	208,347	1,653,537	442,088	-	-	6,147,812	4,767,949
Net change in fund balances	193,503	1,484,910	433,158	47,860	(696,075)	2,898,642	1,847,911
Fund balances, beginning of year	(193,514)	(1,483,817)	(426,956)	(56,378)	957,994	(8,788,103)	(2,099,335)
Fund balances, end of year	\$ (11)	\$ 1,093	\$ 6,202	\$ (8,518)	\$ 261,919	\$ (5,889,461)	\$ (251,424)

## CITY OF GARDNER, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

## PARK SALES TAX FUND

Year Ended December 31, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	\$ 848,000	\$ 812,512	\$ (35,488)
Investment earnings	7,200	4,971	(2,229)
Total revenues	855,200	817,483	(37,717)
Expenditures:			
Principal	395,000	395,000	-
Interest	251,700	251,738	(38)
Project reserve	128,269	-	128,269
Total expenditures	774,969	646,738	128,231
Excess of revenues over expenditures	80,231	170,745	90,514
Other financing uses:			
Transfers out	(325,200)	(325,175)	25
Net changes in fund balances	(244,969)	(154,430)	90,539
Fund balances, beginning of year	244,969	236,510	(8,459)
Fund balances, end of year	\$ -	\$ 82,080	\$ 82,080



CITY OF GARDNER, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

SPECIAL ALCOHOL/DRUG PROGRAM FUND

Year Ended December 31, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Special alcohol tax	\$ 22,000	\$ 30,057	\$ 8,057
Investment earnings	500	648	148
Total revenues	<u>22,500</u>	<u>30,705</u>	<u>8,205</u>
Expenditures:			
Project reserve	20,929	-	20,929
Contractual services	<u>22,000</u>	<u>22,000</u>	<u>-</u>
Total expenditures	<u>42,929</u>	<u>22,000</u>	<u>20,929</u>
Net change in fund balances	(20,429)	8,705	29,134
Fund balances, beginning of year	<u>20,429</u>	<u>27,012</u>	<u>6,583</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 35,717</u>	<u>\$ 35,717</u>

CITY OF GARDNER, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

STREET IMPROVEMENT FUND

Year Ended December 31, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Excise tax	\$ 1,045,000	\$ 395,182	\$ (649,818)
Investment earnings	160,000	78,591	(81,409)
Other	358,000	-	(358,000)
Total revenues	1,563,000	473,773	(1,089,227)
Expenditures:			
Capital outlay	411,000	242,296	168,704
Project reserve	3,735,362	-	3,735,362
Total expenditures	4,146,362	242,296	3,904,066
Excess (deficit) of revenues over (under) expenditures	(2,583,362)	231,477	2,814,839
Other financing uses:			
Transfers out	(1,702,500)	(1,132,384)	570,116
Net change in fund balances	(4,285,862)	(900,907)	3,384,955
Fund balances, beginning of year	4,285,862	4,593,680	307,818
Fund balances, end of year	\$ -	3,692,773	\$ 3,692,773
Explanation of difference between budgetary and GAAP fund balances:			
Encumbrances for equipment and supplies ordered but not received are not recorded for GAAP purposes until received		111,771	
GAAP fund balance, end of year		\$ 3,804,544	

## CITY OF GARDNER, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

## SPECIAL HIGHWAY FUND

Year Ended December 31, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
State gasoline tax	\$ 451,000	\$ 461,188	\$ 10,188
Investment earnings	5,600	5,660	60
Total revenues	456,600	466,848	10,248
Expenditures:			
Project reserve	111,047	15	111,032
Capital outlay	620,000	488,014	131,986
Total expenditures	731,047	488,029	243,018
Excess (deficit) of revenues over (under) expenditures	(274,447)	(21,181)	253,266
Other financing sources (uses):			
Transfers in	100,000	-	(100,000)
Transfers out	(17,300)	(17,304)	(4)
Total other financing sources (uses)	82,700	(17,304)	(100,004)
Net change in fund balances	(191,747)	(38,485)	153,262
Fund balances, beginning of year	191,747	289,591	97,844
Fund balances, end of year	\$ -	\$ 251,106	\$ 251,106

## CITY OF GARDNER, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

## SPECIAL PARKS AND RECREATION FUND

Year Ended December 31, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Special alcohol tax	\$ 26,000	\$ 30,057	\$ 4,057
Investment earnings	1,400	1,230	(170)
Total revenues	<u>27,400</u>	<u>31,287</u>	<u>3,887</u>
Expenditures:			
Contractual services	52,000	37,975	14,025
Project reserve	24,032	-	24,032
Total expenditures	<u>76,032</u>	<u>37,975</u>	<u>38,057</u>
Net change in fund balances	(48,632)	(6,688)	41,944
Fund balances, beginning of year	<u>48,632</u>	<u>59,160</u>	<u>10,528</u>
Fund balances, end of year	<u>\$ -</u>	<u>52,472</u>	<u>\$ 52,472</u>

Explanation of difference between budgetary and GAAP fund balances:

Encumbrances for equipment and supplies ordered but not received are not recorded for GAAP purposes until received	<u>21,369</u>
GAAP fund balance, end of year	<u>\$ 73,841</u>

CITY OF GARDNER, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

EAST SANTA FE TIF DISTRICT

Year Ended December 31, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	\$ 895,000	\$ 735,048	\$ (159,952)
Investment earnings	-	1,402	1,402
Total revenues	895,000	736,450	(158,550)
Expenditures:			
Contractual services	895,000	730,365	164,635
Excess of revenues over expenditures	-	6,085	6,085
Other financing uses:			
Transfers out	-	(5,000)	(5,000)
Net change in fund balances	-	1,085	1,085
Fund balances, beginning of year	-	95,825	95,825
Fund balances, end of year	\$ -	\$ 96,910	\$ 96,910

## CITY OF GARDNER, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

## ECONOMIC DEVELOPMENT RESERVE FUND

Year Ended December 31, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Transient guest tax	\$ 44,800	\$ 45,573	\$ 773
Investment earnings	4,200	1,695	(2,505)
Total revenues	<u>49,000</u>	<u>47,268</u>	<u>(1,732)</u>
Expenditures:			
Project reserve	111,745	-	111,745
Contractual services	44,000	51,330	(7,330)
Total expenditures	<u>155,745</u>	<u>51,330</u>	<u>104,415</u>
Net change in fund balances	(106,745)	(4,062)	102,683
Fund balances, beginning of year	<u>106,745</u>	<u>111,213</u>	<u>4,468</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 107,151</u>	<u>\$ 107,151</u>

CITY OF GARDNER, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

RISK MANAGEMENT RESERVE FUND

Year Ended December 31, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Expenditures:			
Contractual services	\$ 20,000	\$ 5,170	\$ 14,830
Project reserve	90,246	1,356	88,890
Total expenditures	110,246	6,526	103,720
Net change in fund balances	(110,246)	(6,526)	103,720
Fund balances, beginning of year	110,246	114,450	4,204
Fund balances, end of year	\$ -	\$ 107,924	\$ 107,924

## CITY OF GARDNER, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

## CAPITAL IMPROVEMENT RESERVE FUND

Year Ended December 31, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental - grants	\$ 648,300	\$ -	\$ (648,300)
Investment earnings	6,800	5,513	(1,287)
Other	20,000	-	(20,000)
Total revenues	675,100	5,513	(669,587)
Expenditures:			
Capital outlay	1,295,000	504,399	790,601
Project reserve	173,242	-	173,242
Total expenditures	1,468,242	504,399	963,843
Excess (deficit) of revenues over (under) expenditures	(793,142)	(498,886)	294,256
Other financing sources:			
Transfers in	500,000	220,000	(280,000)
Net change in fund balances	(293,142)	(278,886)	14,256
Fund balances, beginning of year	293,142	402,345	109,203
Fund balances, end of year	\$ -	123,459	\$ 123,459

Explanation of difference between budgetary and GAAP fund balances:

Encumbrances for equipment and supplies ordered but not  
received are not recorded for GAAP purposes until received

121,525

GAAP fund balance, end of year

\$ 244,984



## CITY OF GARDNER, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

## PARK IMPROVEMENT RESERVE FUND

Year Ended December 31, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 288,000	\$ 289,749	\$ 1,749
Park impact fees	218,800	53,671	(165,129)
Investment earnings	13,500	13,200	(300)
Total revenues	520,300	356,620	(163,680)
Expenditures:			
Capital outlay	453,797	-	453,797
Excess of revenues over expenditures	66,503	356,620	290,117
Other financing uses:			
Transfers out	(250,000)	(120,000)	130,000
Net change in fund balances	(183,497)	236,620	420,117
Fund balances, beginning of year	183,497	587,628	404,131
Fund balances, end of year	\$ -	\$ 824,248	\$ 824,248

## CITY OF GARDNER, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

## DEBT SERVICE FUND

Year Ended December 31, 2008

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes	\$ 445,800	\$ 433,331	\$ (12,469)
Special assessments	393,000	300,420	(92,580)
Investment earnings	12,000	7,997	(4,003)
Other	-	78,639	78,639
Total revenues	850,800	820,387	(30,413)
Expenditures:			
Principal	3,201,601	1,618,593	1,583,008
Interest	-	651,933	(651,933)
Other	-	5,094	(5,094)
Total expenditures	3,201,601	2,275,620	925,981
Excess (deficit) of revenues over (under) expenditures	(2,350,801)	(1,455,233)	895,568
Other financing sources:			
Transfers in	2,097,600	1,527,480	(570,120)
Net change in fund balances	(253,201)	72,247	325,448
Fund balances, beginning of year	253,201	237,844	(15,357)
Fund balances, end of year	\$ -	\$ 310,091	\$ 310,091

## **Internal Service Funds**

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost reimbursement basis.

Information technology services fund – This fund is used to account for the accumulation and allocation of costs associated with electronic data processing.

Building maintenance fund – This fund is used to account for the accumulation and allocation of costs associated with maintenance and miscellaneous repairs at City Hall.

Utility billing services fund – This fund is used to account for the accumulation and allocation of costs associated with calculating and billing amounts owed for services provided by the City's utilities.

Risk management fund – This fund is used to account for the accumulation and allocation of costs associated with the City's risk financing activities.

CITY OF GARDNER, KANSAS  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS

December 31, 2008

	Governmental Activities		Business-type Activities		
	Information Technology Services	Building Maintenance	Utility Billing Services	Risk Management	Total
Assets:					
Current assets:					
Deposits and investments	\$ 19,277	\$ 1,357	\$ 15,136	\$ -	\$ 35,770
Due from other funds	1,309	-	-	-	1,309
Noncurrent assets:					
Capital assets:					
Construction in progress	54,186	-	-	-	54,186
Machinery and equipment	27,645	-	-	-	27,645
Vehicles	-	14,749	-	-	14,749
Less accumulated depreciation	(6,913)	(3,687)	-	-	(10,600)
Total assets	<u>95,504</u>	<u>12,419</u>	<u>15,136</u>	<u>-</u>	<u>123,059</u>
Liabilities:					
Current liabilities:					
Accounts payable	36,394	5,332	15,017	377	57,120
Due to other funds	-	8,440	-	1,309	9,749
Accrued expenses	631	455	-	-	1,086
Noncurrent liabilities:					
Other postemployment benefit obligation	393	653	1,487	-	2,533
Total liabilities	<u>37,418</u>	<u>14,880</u>	<u>16,504</u>	<u>1,686</u>	<u>70,488</u>
Net assets:					
Invested in capital assets, net of related debt	74,918	11,062	-	-	85,980
Unrestricted	(16,832)	(13,523)	(1,368)	(1,686)	(33,409)
Total net assets	<u>\$ 58,086</u>	<u>\$ (2,461)</u>	<u>\$ (1,368)</u>	<u>\$ (1,686)</u>	<u>\$ 52,571</u>

CITY OF GARDNER, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS

INTERNAL SERVICE FUNDS

Year Ended December 31, 2008

	Governmental Activities		Business-type Activities		
	Information Technology Services	Building Maintenance	Utility Billing Services	Risk Management	Total
Operating revenues:					
Charges for services	\$ 373,682	\$ 278,223	\$ 637,248	\$ 619,194	\$ 1,908,347
Operating expenses:					
Administration	74,802	50,599	405,821	-	531,222
Contractual services	198,643	198,061	145,657	617,217	1,159,578
Other supplies and expenses	40,746	21,131	17,793	2,038	81,708
Repairs and maintenance	5,676	9,084	4,064	-	18,824
Depreciation	2,765	1,475	-	-	4,240
Other	-	-	65,026	-	65,026
Total operating expenses	322,632	280,350	638,361	619,255	1,860,598
Operating income (loss)	51,050	(2,127)	(1,113)	(61)	47,749
Total net assets, beginning of year	7,036	(334)	(255)	(1,625)	4,822
Total net assets, end of year	\$ 58,086	\$ (2,461)	\$ (1,368)	\$ (1,686)	\$ 52,571

# CITY OF GARDNER, KANSAS

## COMBINING STATEMENT OF CASH FLOWS

### INTERNAL SERVICE FUNDS

Year Ended December 31, 2008

	Governmental Activities		Business-type Activities		
	Information Technology Services	Building Maintenance	Utility Billing Services	Risk Management	Total
Cash flows from operating activities:					
Receipts from customers	\$ 372,373	\$ 278,223	\$ 637,248	\$ 619,194	\$ 1,907,038
Payments to suppliers	(222,983)	(225,860)	(221,087)	(619,194)	(1,289,124)
Payments to employees	(75,927)	(51,006)	(404,333)	-	(531,266)
Net cash provided by operating activities	73,463	1,357	11,828	-	86,648
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(54,186)	-	-	-	(54,186)
Net increase in cash and cash equivalents	19,277	1,357	11,828	-	32,462
Cash and cash equivalents, beginning of year	-	-	3,308	-	3,308
Cash and cash equivalents, end of year	\$ 19,277	\$ 1,357	\$ 15,136	\$ -	\$ 35,770
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 51,050	\$ (2,127)	\$ (1,113)	\$ (61)	\$ 47,749
Adjustments to reconcile operating income to net cash provided by operating activities:					
Items not requiring cash:					
Depreciation expense	2,765	1,475	-	-	4,240
Changes in:					
Due from other funds	(1,309)	-	-	-	(1,309)
Accounts payable	22,083	2,085	11,454	(1,248)	34,374
Due to other funds	-	331	-	1,309	1,640
OPEB liability	393	653	1,487	-	2,533
Accrued liabilities	(1,519)	(1,060)	-	-	(2,579)
Net cash provided by operating activities	\$ 73,463	\$ 1,357	\$ 11,828	\$ -	\$ 86,648

CITY OF GARDNER, KANSAS

STATEMENT OF CASH FLOWS

AIRPORT ASSOCIATION COMPONENT UNIT

Year Ended December 31, 2008

Cash flows from operating activities:	
Receipts from customers	\$ 325,195
Payments to suppliers	(257,026)
Payments to employees	(5,379)
	<hr/>
Net cash provided by operating activities	62,790
	<hr/>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(82,585)
	<hr/>
Cash flows from investing activities:	
Interest received	4,496
	<hr/>
Net decrease in cash and cash equivalents	(15,299)
Cash and cash equivalents, beginning of year	192,544
	<hr/>
Cash and cash equivalents, end of year	<u>\$ 177,245</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ (15,339)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Items not requiring cash:	
Depreciation expense	66,132
Changes in:	
Receivables	2,297
Prepaid items	816
Inventories	7,520
Accounts payable	(286)
Deferred revenue	1,650
	<hr/>
Net cash provided by operating activities	<u>\$ 62,790</u>
Supplemental disclosures of Non-Cash Investing and Financing Activities:	
Capital grant KDOT	\$ 19,991
Received from the City	19,992
Airport Runway Rehabilitation	(39,983)

CITY OF GARDNER, KANSAS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

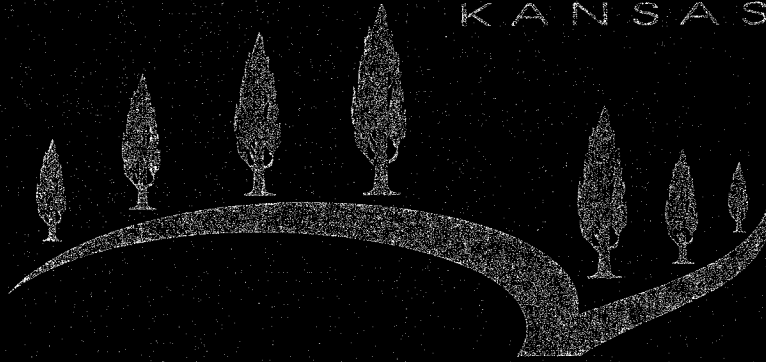
Year Ended December 31, 2008

Alcohol Safety Action Program:

	Balance January 1, 2008	Additions	Deductions	Balance December 31, 2008
Assets:				
Deposits and investments	<u>\$ 25,715</u>	<u>\$ 18,701</u>	<u>\$ 16,380</u>	<u>\$ 28,036</u>
Liabilities:				
Due to others	<u>\$ 25,715</u>	<u>\$ 18,701</u>	<u>\$ 16,380</u>	<u>\$ 28,036</u>



CITY OF  
**GARDNER**  
KANSAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended  
December 31, 2008

STATISTICAL SECTION

## Statistical Section

This part of the City of Gardner's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	<b>104 - 107</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the City's ability to generate its most significant local revenue source, which is the electric, water and wastewater revenues, as well as its property taxes.	<b>108 - 116</b>
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	<b>117 - 120</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time with other governments.	<b>121 - 122</b>
<b>Operating Information</b> These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	<b>123 - 125</b>

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City of Gardner implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

**City of Gardner, Kansas**  
**Net Assets by Component**  
**Last Six Fiscal Years**  
**(accrual basis of accounting)**

	<u>Fiscal Year</u>					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 7,460,781	\$ 9,085,457	\$ 14,068,012	\$ 12,854,680	\$ 15,189,970	\$ 11,793,968
Restricted	619,460	209,186	8,375,348	8,637,479	8,508,190	11,654,614
Unrestricted	<u>8,247,839</u>	<u>10,187,715</u>	<u>285,475</u>	<u>3,572,437</u>	<u>(146,614)</u>	<u>2,984,646</u>
Total governmental activities net assets	<u>\$ 16,328,080</u>	<u>\$ 19,482,358</u>	<u>\$ 22,728,835</u>	<u>\$ 25,064,596</u>	<u>\$ 23,551,546</u>	<u>\$ 26,433,228</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 22,669,570	\$ 26,593,163	\$ 37,238,650	\$ 36,644,874	\$ 43,009,998	\$ 42,592,536
Unrestricted	<u>8,574,639</u>	<u>9,868,088</u>	<u>4,437,961</u>	<u>8,438,191</u>	<u>7,383,676</u>	<u>7,570,921</u>
Total business-type activities net assets	<u>\$ 31,244,209</u>	<u>\$ 36,461,251</u>	<u>\$ 41,676,611</u>	<u>\$ 45,083,065</u>	<u>\$ 50,393,674</u>	<u>\$ 50,163,457</u>
Primary government						
Invested in capital assets, net of related debt	\$ 30,130,351	\$ 35,678,620	\$ 51,306,662	\$ 49,499,554	\$ 58,199,968	\$ 54,386,504
Restricted	619,460	209,186	8,375,348	8,637,479	8,508,190	11,654,614
Unrestricted	<u>16,822,478</u>	<u>20,055,803</u>	<u>4,723,436</u>	<u>12,010,628</u>	<u>7,237,062</u>	<u>10,555,567</u>
Total primary government net assets	<u>\$ 47,572,289</u>	<u>\$ 55,943,609</u>	<u>\$ 64,405,446</u>	<u>\$ 70,147,661</u>	<u>\$ 73,945,220</u>	<u>\$ 76,596,685</u>

**Note:** The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

**Source:** City of Gardner Finance Department

**City of Gardner, Kansas**  
**Changes in Net Assets**  
**Last Six Fiscal Years**  
**(accrual basis of accounting)**

	2003	2004	2005	Fiscal Year 2006	2007	2008
<b>Expenses</b>						
Governmental activities:						
General government	\$ 667,923	\$ 2,481,063	\$ 2,487,540	\$ 2,283,679	\$ 3,378,759	\$ 3,467,896
Public Safety	1,578,382	1,793,104	2,133,175	2,698,278	3,248,539	3,653,003
Public Works	1,870,330	2,702,878	1,814,204	1,953,847	2,730,439	3,274,927
Culture and recreation	925,051	1,008,522	1,191,341	1,280,138	2,025,252	2,280,655
Interest on long-term debt	463,569	679,071	912,018	1,098,258	1,450,723	1,506,419
Total governmental activities expenses	<u>5,505,255</u>	<u>8,664,638</u>	<u>8,538,278</u>	<u>9,314,200</u>	<u>12,833,712</u>	<u>14,182,900</u>
Business-type activities:						
Electric	4,401,222	5,235,673	7,065,972	9,369,802	10,369,407	10,655,734
Water	2,074,904	1,809,446	2,045,852	2,353,432	2,606,773	2,829,545
Wastewater	2,763,238	2,980,535	3,176,131	3,215,418	3,659,179	4,194,130
Stormwater	-	-	-	-	75,643	220,061
Total business-type activities expenses	<u>9,239,364</u>	<u>10,025,654</u>	<u>12,287,955</u>	<u>14,938,652</u>	<u>16,711,002</u>	<u>17,899,470</u>
Total primary government expenses	<u>\$ 14,744,619</u>	<u>\$ 18,690,292</u>	<u>\$ 20,826,233</u>	<u>\$ 24,252,852</u>	<u>\$ 29,544,714</u>	<u>\$ 32,082,370</u>
<b>Program Revenues</b>						
Governmental activities:						
Charges for services:						
General government	\$ 831,756	\$ 1,241,976	\$ 1,348,564	\$ 1,132,996	\$ 712,907	\$ 606,513
Public Safety	-	5,655	4,737	11,443	10,344	13,021
Public Works	676,890	275	-	-	1,900	-
Culture and recreation	348,307	428,120	446,685	436,514	905,149	767,693
Operating grants and contributions	1,553,297	2,352,704	2,139,253	2,216,293	2,529,574	2,657,199
Capital grants and contributions	2,349,249	2,817,443	1,087,882	218,234	360,016	4,808,296
Total governmental activities program revenues	<u>5,759,499</u>	<u>6,846,173</u>	<u>5,027,121</u>	<u>4,015,480</u>	<u>4,519,890</u>	<u>8,852,722</u>
Business-type activities:						
Charges for services:						
Electric	6,998,195	7,887,555	10,240,759	10,229,014	11,805,651	11,688,030
Water	3,072,348	3,725,407	3,639,347	3,511,004	4,201,847	3,192,736
Wastewater	2,544,156	3,419,810	3,518,583	3,304,989	3,835,313	2,821,531
Stormwater	-	-	-	-	-	-
Operating grants and contributions	-	-	50,000	589,004	59,606	356,751
Capital grants and contributions	-	-	-	-	-	-
Total business-type program revenues	<u>12,614,699</u>	<u>15,032,772</u>	<u>17,448,689</u>	<u>17,634,011</u>	<u>19,902,217</u>	<u>18,059,048</u>
Total primary government program revenues	<u>\$ 18,374,198</u>	<u>\$ 21,878,945</u>	<u>\$ 22,475,810</u>	<u>\$ 21,649,491</u>	<u>\$ 24,422,107</u>	<u>\$ 26,911,770</u>
<b>Net (Expense)/Revenue</b>						
Governmental activities	\$ 254,244	\$ (1,818,465)	\$ (3,511,157)	\$ (5,298,720)	\$ (8,313,822)	\$ (5,330,178)
Business-type activities	3,375,335	5,007,118	5,160,734	2,695,359	3,191,215	159,578
Total primary government net expense	<u>\$ 3,629,579</u>	<u>\$ 3,188,653</u>	<u>\$ 1,649,577</u>	<u>\$ (2,603,361)</u>	<u>\$ (5,122,607)</u>	<u>\$ (5,170,600)</u>
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental activities:						
Taxes						
Property taxes	\$ 1,739,385	\$ 2,030,664	\$ 2,311,209	\$ 2,676,275	\$ 3,290,415	\$ 3,667,858
Sales taxes	1,128,934	1,483,480	1,566,055	2,636,630	2,854,565	2,815,576
Franchise taxes	236,073	305,843	337,916	350,024	386,139	412,989
Excise taxes	-	1,211,458	1,455,739	1,289,599	819,908	395,182
Transient guest taxes	-	31,150	34,338	40,680	41,073	45,573
Unrestricted investment earnings	88,024	181,268	497,681	831,916	993,815	296,824
Gain on disposal of asset	-	-	-	-	1,617	-
Transfers	34,641	989,891	329,158	(190,643)	(1,586,760)	577,858
Total governmental activities	<u>3,227,057</u>	<u>6,233,754</u>	<u>6,532,096</u>	<u>7,634,481</u>	<u>6,800,772</u>	<u>8,211,860</u>
Business-type activities:						
Unrestricted investment earnings	79,755	205,001	532,024	520,452	532,634	188,063
Transfers	(34,641)	(989,891)	(329,158)	190,643	1,586,760	(577,858)
Other	107,320	-	-	-	-	-
Total business-type activities	<u>152,434</u>	<u>(784,890)</u>	<u>202,866</u>	<u>711,095</u>	<u>2,119,394</u>	<u>(389,795)</u>
Total primary government	<u>\$ 3,379,491</u>	<u>\$ 5,448,864</u>	<u>\$ 6,734,962</u>	<u>\$ 8,345,576</u>	<u>\$ 8,920,166</u>	<u>\$ 7,822,065</u>
<b>Change in Net Assets</b>						
Governmental activities	\$ 3,481,301	\$ 4,415,289	\$ 3,020,939	\$ 2,335,761	\$ (1,513,050)	\$ 2,881,682
Business-type activities	3,527,769	4,222,228	5,363,600	3,406,454	5,310,609	(230,217)
Total primary government	<u>\$ 7,009,070</u>	<u>\$ 8,637,517</u>	<u>\$ 8,384,539</u>	<u>\$ 5,742,215</u>	<u>\$ 3,797,559</u>	<u>\$ 2,651,465</u>

*Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.*

*Source: City of Gardner Finance Department*

**City of Gardner, Kansas**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 2,704	\$ 33,379	\$ 6,261	\$ -	\$ 73,395	\$ -	\$ -	\$ 1,019,948	\$ 15,151	\$ 34,779
Unreserved	492,031	596,301	659,085	851,220	1,549,455	2,392,171	3,321,238	3,107,516	4,008,117	2,964,795
Total general fund	<u>\$ 494,735</u>	<u>\$ 629,680</u>	<u>\$ 665,346</u>	<u>\$ 851,220</u>	<u>\$ 1,622,850</u>	<u>\$ 2,392,171</u>	<u>\$ 3,321,238</u>	<u>\$ 4,127,464</u>	<u>\$ 4,023,268</u>	<u>\$ 2,999,574</u>
 All Other Governmental Funds										
Reserved	\$ 670,121	\$ 14,319	\$ 261,208	\$ -	\$ 57,500	\$ -	\$ -	\$ 9,998,577	\$ 2,164,409	\$ 1,058,524
Unreserved, reported in:										
Debt service fund	-	69,045	193,608	329,980	488,565	313,625	258,152	184,701	237,844	310,091
Special revenue funds	1,180,530	1,456,644	1,546,341	1,903,127	3,124,695	4,953,169	5,597,454	6,771,640	6,525,624	5,383,372
Capital projects funds	1,331,693	2,951,155	3,632,057	4,948,112	2,370,633	(565,001)	(3,188,976)	(10,700,412)	(14,211,726)	(10,291,113)
Total all other governmental funds	<u>\$ 3,182,344</u>	<u>\$ 4,491,163</u>	<u>\$ 5,633,214</u>	<u>\$ 7,181,219</u>	<u>\$ 6,041,393</u>	<u>\$ 4,701,793</u>	<u>\$ 2,666,630</u>	<u>\$ 6,254,506</u>	<u>\$ (5,283,849)</u>	<u>\$ (3,539,126)</u>

*Note: In 2004, in order to avoid arbitrage penalties, the City decided to fund Capital Projects with pooled cash during the beginning stages of construction.*

*Source: City of Gardner Finance Department*

**City of Gardner, Kansas**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year									
	1999	2000	2001	2002	2003 <sup>(a)</sup>	2004	2005	2006	2007	2008
<b>Revenues</b>										
Taxes	\$ 1,621,094	\$ 1,878,059	\$ 2,099,438	\$ 2,633,287	\$ 4,366,955	\$ 5,031,445	\$ 5,670,919	\$ 6,952,528	\$ 7,351,027	\$ 7,291,605
Licenses and permits	431,109	442,716	1,046,365	950,004	687,140	886,846	942,495	750,727	615,355	186,976
Fines and fees	146,126	115,907	129,166	188,099	204,886	265,911	282,659	316,720	240,072	305,001
Charges for services	211,822	164,531	250,978	133,748	161,889	335,289	423,579	337,022	654,973	792,935
Special assessments	37,443	35,828	34,221	76,161	77,341	466,514	298,989	229,317	345,883	300,420
Intergovernmental	1,352,282	1,624,257	1,403,072	1,889,659	2,641,553	2,611,934	3,262,304	2,352,409	2,415,554	2,606,764
Investment earnings	136,180	209,611	225,241	177,013	88,024	181,268	497,682	831,916	993,815	296,824
Loan revenue	-	-	-	-	32,652	37,465	35,378	41,875	-	-
Other revenues	627,517	509,827	204,486	119,734	155,056	221,921	147,338	257,407	347,542	321,922
<b>Total revenues</b>	<b>4,563,573</b>	<b>4,980,736</b>	<b>5,392,967</b>	<b>6,167,705</b>	<b>8,415,496</b>	<b>10,038,593</b>	<b>11,561,343</b>	<b>12,069,921</b>	<b>12,964,221</b>	<b>12,102,447</b>
<b>Expenditures</b>										
General government	486,428	563,699	1,730,428	2,117,659	588,524	2,220,815	2,170,591	2,068,118	3,055,358	3,210,270
Public safety	1,094,611	1,497,282	1,319,402	1,506,022	1,710,856	1,727,208	2,059,613	2,526,659	3,040,870	3,411,999
Public works	453,368	848,263	841,594	1,679,088	1,345,077	1,072,924	925,613	1,161,471	1,554,880	1,694,200
Culture and recreation	548,526	582,645	798,394	832,531	828,581	835,493	935,986	1,122,244	1,670,953	1,843,126
Capital outlay	1,303,471	1,657,455	1,497,192	3,933,507	5,160,746	4,248,331	9,831,552	11,992,665	14,508,283	4,431,783
Debt service:										
Interest	-	-	-	-	405,611	506,669	774,222	914,694	1,529,276	1,410,869
Principal	1,338,442	1,683,065	1,589,076	4,446,338	3,097,500	4,062,598	694,737	1,156,069	2,160,583	2,158,231
Other	82,014	89,815	12,000	-	43,268	12,127	96,444	202,359	61,669	183,014
<b>Total expenditures</b>	<b>5,304,860</b>	<b>6,922,224</b>	<b>7,788,086</b>	<b>14,515,145</b>	<b>13,180,163</b>	<b>14,686,165</b>	<b>17,488,758</b>	<b>21,144,279</b>	<b>27,581,881</b>	<b>18,343,492</b>
Excess of revenues over (under) expenditures	(741,287)	(1,941,488)	(2,395,119)	(8,347,440)	(4,764,667)	(4,647,572)	(5,927,415)	(9,074,358)	(14,617,660)	(6,241,045)
<b>Other Financing Sources (Uses)</b>										
Bonds issued	1,300,000	-	866,142	4,144,102	3,091,000	725,000	3,355,000	3,545,000	-	5,460,000
Premium on general obligation bonds	-	-	-	-	-	-	-	-	-	36,180
Certificates of participation issued	-	-	-	-	-	-	-	7,150,000	-	-
Loan proceeds	-	-	-	-	-	-	-	1,053,190	-	-
Revenue bonds issued	-	-	1,000,000	-	-	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-	105,000	-	-	-	-
Special assessment bonds issued	-	-	-	-	-	1,835,000	-	-	-	-
Temporary notes issued	-	3,745,000	-	4,500,000	1,095,750	-	-	-	-	-
Construction loan	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	910,757	651,632
Capital leases	-	232,755	30,558	-	175,080	-	-	-	23,001	-
Insurance proceeds	-	-	-	-	-	-	-	97,958	989,000	-
Payments to escrow agent	-	-	-	-	-	-	-	19,302	3,053	997
Transfers in	1,486,364	423,742	2,747,452	2,291,197	743,534	2,982,920	2,625,016	2,796,990	2,441,559	2,513,128
Transfers out	(463,066)	(273,742)	(1,292,188)	(420,000)	(708,893)	(1,378,863)	(1,158,697)	(1,193,980)	(1,392,261)	(1,699,863)
<b>Total other financing sources (uses)</b>	<b>2,323,298</b>	<b>4,127,755</b>	<b>3,351,964</b>	<b>10,297,049</b>	<b>4,396,471</b>	<b>4,164,057</b>	<b>4,821,319</b>	<b>13,468,460</b>	<b>2,975,109</b>	<b>6,962,074</b>
<b>Net change in fund balances</b>	<b>\$ 1,582,011</b>	<b>\$ 2,186,267</b>	<b>\$ 956,845</b>	<b>\$ 1,949,609</b>	<b>\$ (368,196)</b>	<b>\$ (483,515)</b>	<b>\$ (1,106,096)</b>	<b>\$ 4,394,102</b>	<b>\$ (11,642,551)</b>	<b>\$ 721,029</b>
Debt service as a percentage of noncapital expenditures	35.4%	33.7%	25.5%	42.0%	41.1%	36.8%	19.0%	24.6%	27.4%	25.4%

*Note:* <sup>(a)</sup> Differences between 2003 and 2004 General Government expenditures are largely due to GAAP reporting categorization differences caused by a change in City accounting practices. In 2003, proprietary transfers to the General Fund were calculated as a percentage of services to General Government. GAAP direct such "interfund services" transfers to be netted against General Governmental expenditures. In 2004, proprietary transfers to the General Fund were a percentage of revenues, and GAAP direct these "interfund transfers" to be reported as transfers in. Without GAAP requirements, the General Government expenditures for 2003 was \$2,183,840.

Source: City of Gardner Finance Department

**City of Gardner, Kansas**  
**Utilities Produced, Consumed, and Treated**  
**Last Ten Fiscal Years**

Fiscal Year	Electricity Generated & Purchased	Electricity Sold To Customers	<sup>(a)</sup> Electricity Consumed & Unbilled	<sup>(a)</sup> Average Percent Unbilled	Gallons of Water Produced & Purchased	Gallons of Water Sold	<sup>(a)</sup> Gallons of Water Unbilled	<sup>(a)</sup> Average Percent Unbilled	Gallons of Wastewater Treated	Total Direct Rate					
										Electric		Water		Wastewater	
										Base <sup>(d)</sup> Rate	Usage <sup>(e)</sup> Rate	Base <sup>(d)</sup> Rate	Usage <sup>(e)</sup> Rate	Base <sup>(d)</sup> Rate	Usage <sup>(e)</sup> Rate
1999	72,476	67,059	5,417	7.47%	426	367	59	13.87%	190	\$5.00	\$0.0839	\$8.70	\$3.94	\$4.70	\$3.80
2000	74,123	68,506	5,617	7.58%	511	408	103	20.16%	235	\$5.00	\$0.0839	\$8.70	\$3.94	\$4.70	\$3.80
2001	77,663	68,751	8,912	11.48%	509	381	128	25.15%	299	\$5.00	\$0.0839	\$8.70	\$3.94	\$4.70	\$3.80
2002	82,923	76,842	6,081	7.33%	583	444	139	23.84%	353	\$5.00	\$0.0839	\$8.70	\$3.94	\$4.70	\$3.80
2003	93,554	83,082	10,472	11.19%	519	414	105	20.23%	412	\$5.00	\$0.0839	\$8.70	\$3.94	\$7.00	\$4.45
2004	94,470	81,988	12,482	13.21%	598	463	135	22.59%	499	\$5.00	\$0.0839	\$8.70	\$3.94	\$7.00	\$4.45
<sup>(b,c)</sup> 2005	103,687	97,863	5,824	5.62%	691	469	223	32.21%	554	\$6.00	\$0.0862	\$8.27	\$3.75	\$7.35	\$4.68
2006	117,288	111,371	5,917	5.04%	712	494	218	30.62%	476	\$6.00	\$0.0905	\$8.52	\$3.86	\$7.72	\$4.91
2007	135,953	118,858	17,095	12.57%	723	488	235	32.50%	517	\$6.20	\$0.0932	\$8.52	\$3.86	\$7.72	\$4.91
2008	126,224	120,486	5,738	4.55%	758	552	206	27.18%	589	\$6.40	\$0.0960	\$9.40	\$4.25	\$8.75	\$5.57

**Notes:** Electricity is presented in MegaWatt Hours and gallons are presented in millions.

<sup>(a)</sup> Unbilled amounts include electric, water, and sewer used by the City of Gardner for government operations, and also amounts sold to wholesale customers through the EMP#1 pool.

<sup>(b)</sup> In 2005, the City implemented interdepartmental billing, thus reducing the amount of unbilled electric usage.

<sup>(c)</sup> In 2005, the increase to gallons of wastewater treated was due to a significant increase in rainfall.

<sup>(d)</sup> Rates shown are for residential customers. For more detail on utility rates see the Electric, Water, and Sewer Rate schedule in this section.

<sup>(e)</sup> Per 1,000 gallons.

Source: City of Gardner Public Works Department & Gardner Energy

**City of Gardner, Kansas**  
**Annual Electric and Water Meter Installations**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Electric Meter Installations</u>		<u>Water Meter Installations</u>		<u>Total Installations</u>
	<u>Residential</u>	<u>Commercial</u>	<u>Residential</u>	<u>Commercial</u>	
1999	276	4	303	3	586
2000	162	5	311	4	482
2001	238	5	229	5	477
2002	384	15	384	6	789
2003	546	6	507	4	1,063
2004	563	4	510	7	1,084
2005	527	20	466	8	1,021
2006	345	24	307	7	683
2007	382	17	278	6	683
2008	89	1	89	1	180

*Source: City of Gardner Community Development Department*



**City of Gardner, Kansas**  
**Number of Electric, Water, and Wastewater Customers by Type**  
**Last Ten Fiscal Years**

Fiscal Year	Electric			Water			Wastewater			Total		
	Residential	Commercial	Industrial	Residential	Commercial	Industrial	Residential	Commercial	Industrial	Electric	Water	Wastewater
1999	3,171	250	7	3,176	158	7	3,026	152	4	3,428	3,341	3,182
2000	3,604	250	7	3,598	160	7	3,448	154	4	3,861	3,765	3,606
2001	3,881	259	7	3,874	172	7	3,724	166	4	4,147	4,053	3,894
2002	4,120	270	7	4,020	187	7	3,870	181	7	4,397	4,214	4,058
2003	4,252	270	7	4,744	195	7	4,560	189	7	4,529	4,946	4,756
2004	4,821	269	7	4,699	185	7	4,549	179	7	5,097	4,891	4,735
2005	5,254	283	6	5,439	204	6	5,278	198	6	5,543	5,649	5,482
2006	6,156	325	6	5,812	220	6	5,657	214	6	6,487	6,038	5,877
2007	6,547	407	5	6,065	253	5	5,958	197	5	6,959	6,323	6,160
2008	6,726	410	5	6,360	248	5	6,146	207	5	7,141	6,613	6,358

**Source:** City of Gardner Utility Department

**City of Gardner, Kansas**  
**Electric, Water, and Wastewater Rates**  
**Last Ten Fiscal Years**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Water Rates</b>										
(All Meter Sizes)										
Base Rate	\$ 8.70	\$ 8.70	\$ 8.70	\$ 8.70	\$ 8.70	\$ 8.70	\$ 8.27	\$ 8.52	\$ 8.52	\$ 8.95
Usage Rate (per 1,000 gallons) First 40,000 gallons	3.94	3.94	3.94	3.94	3.94	3.94	3.75	3.86	3.86	4.05
Usage Rate per 1,000 gallons) Over 40,000 gallons	3.15	3.15	3.15	3.15	3.15	3.15	3.00	3.10	3.10	3.26
<b>Wastewater Rates</b>										
Base Rate	\$ 4.70	\$ 4.70	\$ 4.70	\$ 4.70	\$ 7.00	\$ 7.00	\$ 7.35	\$ 7.72	\$ 7.72	\$ 8.10
Usage Rate (per 1,000 gallons)	3.80	3.80	3.80	3.80	4.45	4.45	4.68	4.91	4.91	5.16
<b>Electric Rates</b>										
<i>Residential</i>										
Base Rate	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 6.00	\$ 6.00	\$ 6.20	\$ 6.40
Usage Rate (per kWh)	0.08390	0.08390	0.08390	0.08390	0.08390	0.08390	0.08620	0.09051	0.09323	0.09603
<i>Commercial</i>										
Base Rate	6.00	6.00	6.00	6.00	6.00	6.00	6.60	6.80	6.80	7.00
Usage Rate (per kWh)	0.0890	0.0890	0.0890	0.0890	0.0890	0.0890	0.9350	0.0963	0.09631	0.09920
<i>Commercial With Demand</i>										
Base Rate for Demand	100.00	100.00	100.00	100.00	100.00	100.00	15.00	15.00	15.45	15.90
Usage Rate (per KW)	10.00	10.00	10.00	10.00	10.00	10.00	12.00	12.60	13.00	13.39
Usage Rate (per kWh) First 5,000 kWh	0.0432	0.0432	0.0432	0.0432	0.0432	0.0432	0.0436	0.0458	0.0472	0.0486
Usage Rate (per kWh) Over 5,000 kWh	0.0370	0.0370	0.0370	0.0370	0.0370	0.0370	0.0374	0.0393	0.0404	0.04165
<i>Commercial Large With Demand</i>										
Base Rate for Demand	100.00	100.00	100.00	100.00	100.00	100.00	20.00	20.00	20.60	21.20
Usage Rate (per KW)	10.00	10.00	10.00	10.00	10.00	10.00	12.00	12.60	13.00	13.39
Usage Rate (per kWh) First 5,000 kWh	0.04000	0.04000	0.04000	0.04000	0.04000	0.04000	0.04250	0.04463	0.04597	0.04735
Usage Rate (per kWh) Over 5,000 kWh	0.03470	0.03470	0.03470	0.03470	0.03470	0.03470	0.03690	0.03875	0.03991	0.04111
<b>All Electric Rates</b>										
<i>Residential</i>										
Base Rate	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 6.00	\$ 6.00	\$ 6.20	\$ 6.40
Summer Usage Rate (per kWh)	0.08390	0.08390	0.08390	0.08390	0.08390	0.08390	0.08850	0.09293	0.09572	0.09859
Winter Usage Rate (per kWh) First 800 kWh	0.06800	0.06800	0.06800	0.06800	0.06800	0.06800	0.07260	0.07623	0.07852	0.08088
Winter Usage Rate (per kWh) Over 800 kWh	0.02700	0.02700	0.02700	0.02700	0.02700	0.02700	0.03520	0.03696	0.03807	0.03921
<i>Commercial</i>										
Base Rate	6.00	6.00	6.00	6.00	6.00	6.00	6.60	6.60	6.80	7.00
Usage Rate (per KW)	-	-	-	-	-	-	4.55	4.78	4.90	5.05
Summer Usage Rate (per kWh)	0.08900	0.08900	0.08900	0.08900	0.08900	0.08900	0.02960	0.03108	0.03201	0.03297
Winter Usage Rate (per kWh)	0.02700	0.02700	0.02700	0.02700	0.02700	0.02700	0.02700	0.02835	0.02920	0.03008

Source: City of Gardner Utility Department

**City of Gardner, Kansas**  
**Ten Largest Electric, Water, and Wastewater Customers**  
**Current Year and Eight Years Ago**

			Fiscal Year 2008					
Customer	Electric Revenue		Customer	Water Revenue		Customer	Wastewater Revenue	
	Amount	%		Amount	%		Amount	%
Wal-Mart	\$ 306,165	2.81%	New Century	\$ 138,668	4.93%	U.S.D. 231 - Wheat Ridge Middle School	\$ 14,847	0.61%
Price Chopper	217,008	1.99%	Wal-Mart	19,593	0.70%	TradeNet	14,044	0.58%
U.S.D. 231 - Gardner-Edgerton H.S.	216,726	1.99%	Jacobs Properties	12,755	0.45%	Pinnacle (Rehab Hospital)	11,080	0.46%
U.S.D. 231 - Pioneer Ridge Middle School	157,852	1.45%	U.S.D. 231 - Gardner-Edgerton H.S. Irriga	11,027	0.39%	R&B Autowash	10,995	0.45%
TradeNet Publishing	141,131	1.29%	U.S.D. 231 - Wheat Ridge Middle School	10,882	0.39%	Jacobs Properties	18,580	0.77%
ITW Labels	121,284	1.11%	U.S.D. 231 - Gardner-Edg. H.S.	9,837	0.35%	U.S.D. 231 - Gardner-Edgerton H.S.	8,863	0.37%
U.S.D. 231 - Wheat Ridge Middle School	70,819	0.65%	TradeNet Publishing	9,708	0.35%	Wal-Mart	9,236	0.38%
U.S.D. 231 - Madison Elementary	65,880	0.60%	Pinnacle (Rehab Hospital)	8,027	0.29%	Super 8 Motel	4,740	0.20%
U.S.D. 231 - Wheat Ridge Middle School GYM	65,459	0.60%	Bluehawk Townhome Assoc	7,456	0.27%	Cedar Niles 66	4,740	0.20%
U.S.D. 231 - Sunflower Elementary	58,593	0.54%	R&B Autowash	7,370	0.26%	Sonic	4,067	0.17%
Subtotal (10 largest)	1,420,917	13.02%	Subtotal (10 largest)	235,322	8.37%	Subtotal (10 largest)	101,193	4.19%
Balance from other customers	9,490,645	86.98%	Balance from other customers	2,574,711	91.63%	Balance from other customers	2,316,185	95.81%
Grand Totals	\$ 10,911,562	100.00%	Grand Totals	\$ 2,810,033	100.00%	Grand Totals	\$ 2,417,378	100.00%

			Fiscal Year 2000 <sup>(a)</sup>					
Customer	Electric Revenue		Customer	Water Revenue		Customer	Wastewater Revenue	
	Amount	%		Amount	%		Amount	%
Mid-America Plastics	\$ 405,974	6.96%	New Century Air Center	\$ 136,176	8.73%	Blazers Power Wash	\$ 13,308	1.42%
U.S.D. #231 425 N Waverly DAC	240,180	4.11%	Jacobs Properties	12,658	0.81%	Jacobs Property	12,054	1.28%
Price Chopper	229,850	3.94%	Blazer's Power Wash	11,505	0.74%	Mid-America Plastics	8,497	0.90%
Dot Label	113,604	1.95%	U.S.D. #231 High School DAC	10,208	0.65%	CLC HealthCare	8,292	0.88%
Cramer Products, Inc.	106,556	1.83%	Mid America Plastics	7,517	0.48%	Medical Lodge of Gardner	8,056	0.86%
U.S.D. 231 - Sunflower Elementary	86,402	1.48%	Medical Lodges	7,397	0.47%	U.S.D. #231 High School DAC	7,144	0.76%
U.S.D. 231 - Wheat Ridge Middle School	80,931	1.39%	CLC Healthcare	7,347	0.47%	Super 8 Motel	5,760	0.61%
Empire Plastics	79,266	1.36%	Gardner Super 8	6,771	0.43%	Dot Label	4,956	0.53%
Medical Lodges of Gardner	52,147	0.89%	Price Chopper	5,791	0.37%	Price Chopper	4,804	0.51%
CLC Healthcare	40,121	0.69%	ITW Labels	4,530	0.29%	EZ Car Wash	4,085	0.43%
Subtotal (10 largest)	1,435,030	24.59%	Subtotal (10 largest)	209,899	13.46%	Subtotal (10 largest)	76,956	8.19%
Balance from other customers	4,401,812	75.41%	Balance from other customers	1,349,674	86.54%	Balance from other customers	862,716	91.81%
Grand Totals	\$ 5,836,842	100.00%	Grand Totals	\$ 1,559,574	100.00%	Grand Totals	\$ 939,672	100.00%

Notes: Dollar values reflected include base rate charges, as well as multiple meters on various accounts.

<sup>(a)</sup> Data of the top ten utility customers is unavailable prior to 2000 due to a system failure in 1999.

Source: City of Gardner Utility Department

**City of Gardner, Kansas**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

Fiscal Year	Residential Property	Commercial Property	Not-for-Profit Property	Agricultural and Other Property	Not Otherwise Subclassified	Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
1999	\$ 19,289,895	\$ 5,753,665	\$1,154,948	\$ 56,148	\$ -	\$ 2,871,413	\$ 26,254,656	23.938	\$ 200,563,713	13.09%
2000	25,499,787	6,761,729	1,406,725	42,963	-	2,930,808	33,711,204	23.824	260,648,992	12.93%
2001	33,838,364	7,758,868	1,326,019	39,963	-	4,207,618	42,963,214	22.771	336,464,237	12.77%
2002	40,961,196	8,765,345	1,198,167	331,626	-	5,627,856	51,256,334	22.850	402,334,372	12.74%
2003	45,593,076	10,257,888	1,434,550	1,921,260	-	6,922,687	59,206,774	22.854	515,395,275	11.49%
2004	53,793,458	12,073,033	1,492,565	72,441	-	8,665,812	67,431,497	23.914	603,016,135	11.18%
2005	61,026,225	12,090,961	2,290,585	325,419	-	9,278,944	75,733,190	23.994	678,670,888	11.16%
2006	73,120,689	13,675,841	2,279,893	112,374	-	10,707,120	89,188,797	24.092	801,727,555	11.12%
2007	87,598,362	18,592,967	2,717,458	108,681	-	14,044,822	109,017,468	24.080	976,309,650	11.17%
2008	97,621,749	23,111,451	3,371,852	104,208	165,123	16,154,720	124,374,383	24.069	1,115,603,821	11.15%

**Note:** Property in Johnson County is reassessed every year. The county assesses property at approximately 25 percent of actual value for commercial, 30 percent for agricultural, 12 percent for not-for-profit, and 11.5 percent for residential and tax exempt property. Estimated actual taxable value is calculated by dividing taxable assessed value by those percentages. Tax rates are per \$1,000 of assessed value.

**Sources:** City of Gardner Finance Department and Johnson County Department of Records and Tax Administration - County Clerk's Office

City of Gardner, Kansas  
Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years

Fiscal Year	Direct Rates			Overlapping Rates						Total Direct & Overlapping Rates
	Gardner General Operating	Bond and Interest	Total Direct Rate - Gardner City <sup>(a)</sup>	State of Kansas	Johnson County	Johnson County Library	Johnson County Parks and Recreation	Johnson County Community College	U.S.D. 231 (School District)	
1999	19.768	4.170	23.938	1.500	14.345	3.174	1.437	7.746	67.514	119.654
2000	19.674	4.150	23.824	1.500	16.112	3.137	1.451	7.184	67.920	121.128
2001	18.693	4.078	22.771	1.500	15.676	2.981	1.322	7.646	75.318	127.214
2002	18.758	4.092	22.850	1.500	16.333	2.971	1.382	7.743	75.243	128.022
2003	19.822	3.032	22.854	1.500	16.221	2.948	1.602	9.428	75.494	130.047
2004	20.882	3.032	23.914	1.500	16.381	2.954	2.365	9.432	72.957	129.503
2005	20.952	3.042	23.994	1.500	16.041	2.956	2.367	9.438	73.008	129.304
2006	21.038	3.054	24.092	1.500	17.922	2.955	2.286	8.960	78.016	135.731
2007	21.028	3.052	24.080	1.500	17.949	2.960	2.290	8.872	76.546	134.197
2008	21.019	3.050	24.069	1.500	17.985	2.962	2.295	8.749	76.511	134.071

**Note:** One mill is \$1 of property tax for each \$1,000 of assessed valuation.

(a) During some of these years, there were both "Gardner with City Fire" and "Gardner - No Fire" mill rates because there were portions of Gardner that were assessed for fire protection by the Johnson County Fire District. In the interest of consistency, only "Gardner with City Fire" rates are shown here for those years in which there were multiple "Gardner City" mill rates.

**Source:** Johnson County Department of Records and Tax Administration - County Clerk's Office

**City of Gardner, Kansas  
Principal Property Tax Payers  
Current Year and Nine Years Ago**

<u>Taxpayer</u>	<u>2008</u>			<u>1999</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Wal-Mart	\$ 2,121,750	1	1.56%	-		-
Martens Rentals, L.L.C.	1,707,126	2	1.26%	-		-
Energy Center Industrial, LLC	1,500,001	3	1.10%			
C.L.S. Investment Company	1,308,010	4	0.96%	\$ 390,383	3	1.31%
Bristol Partners XVI, L.L.C.	1,106,751	5	0.82%	-		-
Moonlight Apartments L.L.C.	1,097,870	6	0.81%	-		-
DJC Properties, L.L.C.	1,069,509	7	0.79%	425,001	1	1.43%
First Choice Properties, Inc.	896,080	8	0.66%	-		-
Moonlight Plaza, L.L.C.	793,280	9	0.58%	294,579	9	0.99%
Woodstone Apartments, L.P.	783,610	10	0.58%	-		-
Mid-America Plastics				393,850	2	1.33%
Gardner Super 8				353,976	4	1.19%
Mertz, Thomas D.	-		-	323,852	6	1.09%
Gaut, C. Rufus				313,870	7	1.06%
Cramer Products, Inc.	-		-	351,827	5	1.18%
Moonlight Townhomes, L.P.	-		-	309,224	8	1.04%
Gay, William D.				261,001	10	0.88%
Totals	<u>\$ 12,383,987</u>		<u>9.12%</u>	<u>\$ 3,417,563</u>		<u>11.50%</u>

Source: Johnson County Clerk's Office

**City of Gardner, Kansas  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

<b>Fiscal Year Ended December 31</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections for Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
1999	\$ 806,354	\$ 773,724	95.95%	\$ 14,607	\$ 788,331	97.76%
2000	1,001,117	927,268	92.62%	6,842	934,110	93.31%
2001	1,194,589	1,108,494	92.79%	34,458	1,142,952	95.68%
2002	1,437,687	1,344,550	93.52%	44,579	1,389,129	96.62%
2003	1,610,557	1,492,539	92.67%	102,250	1,594,789	99.02%
2004	1,953,944	1,845,505	94.45%	58,935	1,904,440	97.47%
2005	2,327,047	2,242,537	96.37%	72,463	2,315,000	99.48%
2006	2,675,243	2,472,334	92.42%	90,252	2,562,586	95.79%
2007	3,146,176	3,171,873	100.82%	60,952	3,232,825	102.75%
2008	3,488,729	3,439,440	98.59%	136,258	3,575,698	102.49%

*Source: Johnson County Treasurer's Office*

**City of Gardner, Kansas**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year	Government Activities						Business-type Activities				Total Primary Government	Percentage of Personal Income <sup>(a)</sup>	Per Capita <sup>(a)</sup>
	General Obligation Bonds	Special Assessment GO Bonds	Certificates of Participation	Capital Leases	State Revolving Loans	Lease Revenue Bonds	General Obligation Bonds	Capital Leases	State Revolving Loans	Electric Revenue Bonds			
1999	\$ 1,120,950	\$ 235,553	\$ -	\$ 297,342	\$ -	\$ -	\$ 8,593,497	\$ 72,975	\$ 1,917,639	\$ 10,665,000	\$ 22,902,956	6.56%	\$ 2,682
2000	1,089,610	199,740	-	439,107	-	-	10,300,650	37,550	1,820,681	10,040,000	23,927,338	5.77%	2,547
2001	1,415,039	648,561	-	359,579	-	1,000,000	18,656,400	-	8,521,192	-	30,600,771	6.91%	3,023
<sup>(b)</sup> 2002	1,087,843	752,057	-	114,008	-	4,000,000	17,685,100	-	20,270,974	-	43,909,982	9.36%	4,088
2003	3,112,272	1,321,128	-	191,747	-	4,000,000	16,416,600	-	20,285,005	-	45,326,752	8.75%	3,841
2004	4,129,800	3,200,000	-	94,749	-	3,960,000	16,025,200	-	19,643,931	-	47,053,680	7.64%	3,552
2005	6,873,400	3,035,000	-	54,412	-	3,905,000	15,466,600	-	18,976,298	-	48,310,710	8.42%	3,270
<sup>(c)</sup> 2006	9,757,850	2,790,000	7,150,000	108,152	911,889	3,840,000	20,337,150	-	24,996,620	-	69,891,661	10.78%	4,315
2007	9,162,650	2,270,000	6,535,000	1,056,393	1,513,022	3,760,000	17,482,350	176,030	25,349,440	-	67,304,885	9.39%	3,934
2008	10,483,950	5,255,000	6,140,000	911,755	1,799,761	3,660,000	23,891,050	135,533	25,433,886	-	77,710,935	10.73%	4,294

Notes: <sup>(a)</sup> See the Demographic and Economic Statistics schedule in this section for personal income and population data.

<sup>(b)</sup> In 2002, the City received a \$20,078,700 revolving loan from the Kansas Department of Health and Environment for the construction of a new sewer plant. The City also issued \$4,000,000 of Lease Revenue Bonds to finance the construction of a new City Hall.

<sup>(c)</sup> In 2006, the City issued Certificates of Participation in the amount of \$7,150,000 for the purpose of the construction of a new park complex.

Source: City of Gardner Finance Department



**City of Gardner, Kansas**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Special Assessment GO Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Actual Taxable Value<sup>(a)</sup> of Property</b>	<b>Per Capita<sup>(b)</sup></b>
1999	\$ 9,714,447	\$ 235,553	\$ 24,394	\$ 9,925,606	4%	\$ 1,163
2000	11,390,260	199,740	69,045	11,520,955	3%	1,226
2001	20,071,439	648,561	193,608	20,526,392	5%	2,028
2002	18,772,943	752,057	329,980	19,195,020	4%	1,787
2003	19,528,872	1,321,128	488,565	20,361,435	3%	1,726
2004	20,155,000	3,200,000	313,625	23,041,375	3%	1,739
2005	22,340,000	3,035,000	258,152	25,116,848	3%	1,700
2006	30,095,000	2,790,000	184,701	32,700,299	3%	2,019
2007	26,645,000	2,270,000	237,844	28,677,156	3%	1,676
2008	34,375,000	5,255,000	310,091	39,319,909	3%	2,173

**Notes:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>(a)</sup> Property value data can be found in the Assessed Value and Estimated Actual Value of Taxable Property schedule in this section.

<sup>(b)</sup> Population data can be found in the Demographic and Economic Statistics schedule in this section.

**Sources:** City of Gardner Finance Department and Johnson County Department of Records and Tax Administration - County Clerk's Office

**City of Gardner, Kansas**  
**Direct and Overlapping Governmental Activities Debt**  
**As of December 31, 2008**

<u>Governmental Unit</u>	<u>GO Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>(a)</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Unified School District No. 231	\$ 108,415,000	54.30%	\$ 58,869,345
Johnson County	26,965,191	1.65%	444,926
Johnson County Park and Recreation <sup>(b)</sup>	4,305,000	1.65%	71,033
<b>Other</b>			
Johnson County: Public Building Commission	152,750,000	1.65%	<u>2,520,375</u>
Subtotal, overlapping debt			61,905,678
<b>City Direct Debt</b>			<u>28,250,466</u>
<b>Total direct and overlapping debt</b>			<u>\$ 90,156,144</u>

**Notes:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City.

<sup>(a)</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

<sup>(b)</sup> Johnson County Park and Recreation outstanding GO debt not available from County; using 2007 total.

**Sources:** Johnson County's Office of Financial Management and the City of Gardner Finance Department

**City of Gardner, Kansas  
Legal Debt Margin Information  
Last Ten Fiscal Years**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt Limit	\$ 14,031,119	\$ 14,503,378	\$ 17,586,796	\$ 23,173,071	\$ 26,225,612	\$ 29,025,556	\$ 33,798,595	\$ 40,485,098	\$ 45,321,494	\$ 46,494,676
Total net debt applicable to limit	<u>2,953,845</u>	<u>5,318,179</u>	<u>4,272,679</u>	<u>6,403,815</u>	<u>11,052,125</u>	<u>12,405,932</u>	<u>14,375,447</u>	<u>13,046,486</u>	<u>12,546,504</u>	<u>17,272,700</u>
Legal debt margin	<u>\$ 11,077,274</u>	<u>\$ 9,185,199</u>	<u>\$ 13,314,117</u>	<u>\$ 16,769,256</u>	<u>\$ 15,173,487</u>	<u>\$ 16,619,624</u>	<u>\$ 19,423,148</u>	<u>\$ 27,438,612</u>	<u>\$ 32,774,990</u>	<u>\$ 29,221,976</u>
Total net debt applicable to the limit as a percentage of debt limit	21.05%	36.67%	24.29%	27.63%	42.14%	42.74%	42.53%	32.23%	27.68%	37.15%

**Legal Debt Margin Calculation for Fiscal Year 2008**

Assessed value <sup>(a)</sup>	\$ 154,982,252
Debt limit (30% of assessed value) <sup>(b)</sup>	46,494,676
Debt applicable to limit:	
G.O. Bonds and Temporary Notes Outstanding	51,745,700
Less: Amount set aside for utilities, refunding, and revenue-supported bonds	<u>(34,373,000)</u>
Total net debt applicable to limit	<u>17,372,700</u>
Legal debt margin	<u>\$ 29,121,976</u>

**Notes:** <sup>(a)</sup> Assessed value includes property tax collected for motor vehicles.

<sup>(b)</sup> The City is subject to Kansas statutes which limit the amount of net bonded debt (exclusive of revenue, utility, and refunding bonds) the City may have outstanding to 30% of the current assessed valuation of property.

**Source:** City of Gardner Finance Department

**City of Gardner, Kansas  
Demographics and Economic Statistics  
Last Ten Calendar Years**

<b>Calendar Year</b>	<b>Population <sup>(1)</sup></b>	<b>Personal Income</b>	<b>Per Capita Personal Income <sup>(2)</sup></b>	<b>Median Age <sup>(2)</sup></b>	<b>School Enrollment <sup>(3)</sup></b>	<b>Unemployment Rate <sup>(2)</sup></b>
1999	8,538	\$ 349,178,586	\$ 40,897	33.2	2,501	1.9%
2000	9,396	415,021,320	44,170	33.9	2,670	2.4%
2001	10,122	442,594,572	43,726	35.0	2,879	3.4%
2002	10,742	468,909,784	43,652	30.7	3,097	4.3%
2003	11,800	518,161,600	43,912	31.2	3,215	4.5%
2004	13,247	615,959,006	46,498	31.2	3,401	4.9%
2005	14,776	573,914,616	38,841	31.5	3,593	4.5%
2006	16,199	648,105,791	40,009	31.4	3,811	4.3%
2007	17,110	716,515,470	41,877	31.6	4,293	3.9%
2008	18,096	724,002,864	40,009	31.6	4,491	4.3%

**Sources:** City of Gardner Finance Department and

<sup>(1)</sup> City of Gardner Community Development Department

<sup>(2)</sup> information for Johnson County, Kansas. Provided by Southwest Johnson County Economic Development Corporation

<sup>(3)</sup> Unified School District No. 231

**City of Gardner, Kansas  
Principal Employers  
Current Year and Nine Years Ago**

Employer	2008			1999		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Unified School District No. 231	760	1	9.24%	250	1	11.36%
Walmart	170	2	2.07%			
City of Gardner	131	3	1.59%	63	8	2.86%
Price Chopper	115	4	1.40%	120	4	5.45%
TradeNet Publishing	114	5	1.39%	85	5	3.86%
Meadowbrook Rehabilitation Hospital	107	6	1.30%	50	9	2.27%
Medical Lodge of Gardner	102	7	1.24%	65	7	2.95%
Cramer Products, Inc.	50	8	0.61%	65	6	2.95%
D.O.T. Label, Inc. (ITW)	34	9	0.41%	125	3	5.68%
Metcalf Bank	30	10	0.36%			
Mid America Plastics, Inc.	-			160	2	7.27%
Empire Plastics	6	-		14	10	0.64%
Total	<u>1,619</u>		<u>19.61%</u>	<u>997</u>		<u>45.29%</u>

Source: Southwest Johnson County Economic Development Corporation

**City of Gardner, Kansas**  
**Full-time Equivalent City Government Employees by Function**  
**Last Ten Fiscal Years**

<b>Function</b>	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>
General government										
Administration	2	2	2	2	2	2	3	3	3	3
Human Resources/City Clerk	1	1	1	1	2	2	2	2	2	3
Finance										
Accounting	2	3	3	4	4	5	5	5	5	4
Court	1	1	1	1	1	2	2	2	2	2
Utilities	3	4	5	6	7	8	8	8	8	8
Information Systems	-	-	-	-	-	-	-	1	1	1
Planning	2	2	3	3	3	4	4	5	4	4
Codes	2	2	3	4	5	5	5	6	7	5
Public Safety										
Administration	2	3	3	3	4	4	4	5	6	6
Operations	8	10	12	18	21	21	24	28	34	33
Animal Control	-	-	-	-	-	1	1	1	1	1
Public Works										
Administration	4	4	5	5	5	5	5	5	4	4
Fleet	-	-	-	1	1	1	1	1	1	1
Engineering	2	3	3	3	3	3	5	6	6	4
Building Maintenance	-	-	-	-	-	-	-	1	1	1
Streets & Maintenance	6	6	6	8	8	8	11	12	9	8
Electric	4	4	5	9	9	9	10	10	12	9
Water	4	4	4	5	6	6	8	9	10	10
Wastewater	3	4	4	4	6	6	7	9	10	10
Culture and Recreation										
Recreation Services	3	3	3	3	3	3	4	4	6	6
Park Maintenance	2	3	3	4	4	5	6	6	8	8
<b>Total</b>	<b><u>51</u></b>	<b><u>59</u></b>	<b><u>66</u></b>	<b><u>84</u></b>	<b><u>94</u></b>	<b><u>100</u></b>	<b><u>115</u></b>	<b><u>129</u></b>	<b><u>140</u></b>	<b><u>131</u></b>

Source: City of Gardner Human Resources Department

**City of Gardner, Kansas  
Operating Indicators by Function  
Last Ten Fiscal Years**

<b>Function</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002 <sup>(a)</sup></b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007 <sup>(b)</sup></b>	<b>2008</b>
General government <sup>(1)</sup>										
Building permits issued	325	220	202	319	432	505	475	300	255	82
Building inspections conducted	unavailable	unavailable	2,548	4,393	5,748	8,142	9,669	7,419	4,862	3,432
Public Safety <sup>(2)</sup>										
Traffic violations	unavailable	1,465	2,652	2,938	2,820	2,931	3,366	3,799	2,742	3,763
Fire responses	248	266	247	298	257	298	333	319	364	430
Medical responses	490	616	634	650	616	640	824	871	922	901
Public Works <sup>(3)</sup>										
Street resurfacing (shown in linear feet)	unavailable	9,750	6,400	9,500	5,860	12,766	8,420	11,080	19,183	5,280
Curb replacement (shown in linear feet)	unavailable	unavailable	1,000	1,435	1,505	2,897	2,547	4,340	8,627	-
Electric <sup>(4)</sup>										
Average daily consumption (in kWh)	158,904	214,004	218,683	363,002	214,543	224,965	287,326	292,556	327,896	322,695
Electric meters installed	280	167	243	399	552	567	547	369	399	90
Water <sup>(4)</sup>										
Average daily consumption (in thousands)	1,125	1,396	1,233	2,088	1,565	1,402	1,457	1,543	1,634	1,604
Water meters installed	303	311	229	398	511	514	477	317	284	90
Wastewater <sup>(4)</sup>										
Average daily sewage treatment (in thousands)	521	644	819	967	1,129	1,367	1,518	1,304	1,415	1,614
Culture and Recreation <sup>(5)</sup>										
Athletic Program Participants	unavailable	1,645	1,883	1,622	1,903	1,823	1,863	2,132	2,182	2,428
Aquatic Admissions	21,006	19,957	22,945	22,294	17,175	14,057	21,969	27,174	100,247	101,727

**Note:** <sup>(a)</sup> In 2002, the City of Gardner implemented a new utility billing software. In order to convert to the new system, the City was required to process an extra billing cycle to bring the meter reading dates current, rather than for the 30 days prior to the billing date. The extra billing cycle in 2002 also explains the drop in consumption in 2003.

**Note:** <sup>(b)</sup> In 2007, the City of Gardner Streets Dept. began a new resurfacing program using slurry seal. The savings allowed more linear feet to be completed in both streets and curbs.

Also in 2007, a new Aquatic Facility opened. The added features and capacity attracted patrons from miles around.

**Sources:** City of Gardner Finance Department and

<sup>(1)</sup> City of Gardner Community Development Department

<sup>(2)</sup> City of Gardner Public Safety Department

<sup>(3)</sup> City of Gardner Street Department

<sup>(4)</sup> City of Gardner Utility Department

<sup>(5)</sup> City of Gardner Parks and Recreation Department

**City of Gardner, Kansas**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

<u>Function</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007<sup>(6)</sup></u>	<u>2008<sup>(7)</sup></u>
Public Safety <sup>(2)</sup>										
Stations	1	1	1	1	1	1	1	1	1	2
Patrol/AC Units	3	4	4	5	10	11	11	14	15	14
Fire Fleet	3	3	4	4	4	4	5	5	7	8
Public Works <sup>(3)</sup>										
Streets (miles)	35.19	36.57	39.76	42.08	47.91	53.23	60.84	66.34	87.40	91.93
Streetlights	709	751	801	853	908	964	1,022	1,070	1,085	1,134
Electric <sup>(4)</sup>										
Generators	2	2	2	2	2	2	2	2	2	2
Substations	2	2	2	2	2	2	2	3	3	3
Overhead lines (miles)	24	25	26	26	28	34	38	45	46	46
Underground lines (miles)	unavailable	20	23	27	32	40	44	50	51	51
Water <sup>(4)</sup>										
Water mains (miles)	59.81	65.51	69.00	72.35	80.44	86.26	93.86	99.93	104.05	104.35
Treatment Plants	2	2	2	2	2	2	2	1	1	1
Wastewater <sup>(4)</sup>										
Sanitary sewers (miles)	52.68	54.89	61.49	71.77	84.45	93.27	107.68	112.54	119.40	122.66
Storm sewers (miles)	14.27	15.63	17.43	19.33	24.09	27.72	33.68	38.26	39.72	41.16
Treatment Plants	2	2	3	3	3	3	3	3	3	3
Culture and Recreation <sup>(5)</sup>										
Acreage	unavailable	unavailable	unavailable	unavailable	unavailable	96.04	177.06	196.40	226.93	330.58
Parks	8	8	8	8	9	9	10	10	10	13
Baseball/softball/soccer fields	3	3	4	4	4	4	4	4	4	14
Community Centers	1	1	1	1	1	1	1	1	1	1
Golf Course	1	1	1	1	1	1	1	1	1	1

Sources: City of Gardner Finance Department and

<sup>(1)</sup> City of Gardner Community Development Department

<sup>(2)</sup> City of Gardner Public Safety Department

<sup>(3)</sup> City of Gardner Street Department

<sup>(4)</sup> City of Gardner Utility Department

<sup>(5)</sup> City of Gardner Parks and Recreation Department

<sup>(6)</sup> Streets Dept. new inventory process begun in 2006 found unreported miles.

<sup>(7)</sup> Culture and Recreation acreage includes 19.21 acres undeveloped park land.





BERBERICH TRAHAN & CO., P.A.  
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor, City Administrator and City Council  
City of Gardner, Kansas:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gardner, Kansas (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Airport Association were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not extend to that component unit.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement on the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as Findings 2008-1 and 2008-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the City Council and is not intended to be and should not be used by anyone other than those specified parties.

*Berberich Trahan & Co., P.A.*

June 26, 2009

CITY OF GARDNER, KANSAS  
SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2008

**Finding 2008-1 – Significant Deficiency**

*Condition* – The City is not currently recording some of its capital asset additions in the City's capital assets system until the end of the year when they are identified during the audit. Depreciation of capital assets is not being calculated until the end of the year at the time of the audit. This finding is repeated from the prior year.

*Criteria* – The financial statements are the responsibility of management. As such, the City's internal control over capital assets should identify all fixed asset additions on a consistent basis so that they may be properly recorded in the financial statements.

*Cause* – Inappropriate application of generally accepted accounting principles.

*Effect* – There is the potential that the financial statements may be materially misstated.

*Recommendation* – We recommend that the City implement a procedure to record all capital asset additions, including additions to construction in progress, at the time of acquisition or construction. Proprietary fund additions should be recorded in the City's capital assets system and on the general ledger at the time of acquisition or construction, and governmental fund additions should be traced separately from the general ledger in the City's capital assets system. In addition, depreciation of capital assets should be calculated and recorded.

*Management's Response/Corrective Action Plan (Unaudited)* – The number of capital asset additions not recorded in the City's capital assets system until the end of the year when they are identified during the audit has been steadily decreasing since 2006. In addition to the ongoing training received, the advanced knowledge needed to enable full completion of the capital asset cycle each year can only be gained through increasing governmental accounting experience. Existing staff gained valuable experience in the 2008 audit, and believes their judgment related to capitalization decisions will further reduce incomplete capital asset transactions and possibly eliminate this finding in 2009.

**Finding 2008-2 – Significant Deficiency**

*Condition* – During the course of our audit, we identified significant adjustments to the trial balance that were not initially identified by the City's internal control structure. In addition, there were journal entries being posted to the general ledger that were not being reviewed or approved before they were posted. This finding is repeated from the prior year.

CITY OF GARDNER, KANSAS

SCHEDULE OF FINDINGS AND RESPONSES  
(Continued)

*Criteria* – The financial statements are the responsibility of management. As such, the City's internal control over the financial statements should identify misstatements on a consistent basis.

*Cause* – Inappropriate application of generally accepted accounting principles.

*Effect* – There is the potential that the financial statements may be materially misstated.

*Recommendation* – We recommend that the City review its trial balance at year-end to ensure that all adjustments have been made. All journal entries should also be reviewed and approved before posting.

*Management's Response/Corrective Action Plan (Unaudited)* – Progress was made by City Staff to decrease the number (by one-third fewer) of unidentified adjustments to the trial balance. Additional progress is expected with increased experience of existing staff in assuming responsibility for year end journal entries for 2009. Additional review and approval procedures have been implemented in 2009 for entries to the general ledger.

CITY OF GARDNER, KANSAS  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
Year Ended December 31, 2008

**Finding 2007-1 – Significant Deficiency**

*Condition* – The City is not currently recording some of its capital asset additions in the City's capital assets system until the end of the year when they are identified during the audit. Depreciation of capital assets is not being calculated until the end of the year at the time of the audit. This finding is repeated from the prior year.

*Criteria* – The financial statements are the responsibility of management. As such, the City's internal control over capital assets should identify all fixed asset additions on a consistent basis so that they may be properly recorded in the financial statements.

*Cause* – Inappropriate application of generally accepted accounting principles.

*Effect* – There is the potential that the financial statements may be materially misstated.

*Recommendation* – We recommend that the City implement a procedure to record all capital asset additions, including additions to construction in progress, at the time of acquisition or construction. Proprietary fund additions should be recorded in the City's capital assets system and on the general ledger at the time of acquisition or construction, and governmental fund additions should be traced separately from the general ledger in the City's capital assets system. In addition, depreciation of capital assets should be calculated and recorded.

*Management's Response/Corrective Action Plan (Unaudited)* – Staff engaged in additional training for the recording of capital assets after this issue was noted in the 2006 audit. Due to turnover in senior staff, the correction was not implemented. New and existing staff received training, but a gap in experience remained for 2007. The capital asset information was gathered and schedules compiled, but the final step to properly record the assets in the system, and calculate depreciation was not taken.

With experience gained from the 2007 audit cycle and continued cooperation between the auditors and staff, this finding will be corrected in 2008.

*Follow-up* – Capital asset additions were not recorded in the current year. This significant deficiency is repeated in the current year as Finding 2008-1.

CITY OF GARDNER, KANSAS

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
(Continued)

**Finding 2007-2 – Significant Deficiency**

*Condition* – During the course of our audit, we identified significant adjustments to the trial balance that were not initially identified by the City's internal control structure. This finding is repeated from the prior year. In addition, during the current year, there were journal entries being posted to the general ledger that were not being reviewed or approved before they were posted.

*Criteria* – The financial statements are the responsibility of management. As such, the City's internal control over the financial statements should identify misstatements on a consistent basis.

*Cause* – Inappropriate application of generally accepted accounting principles.

*Effect* – There is the potential that the financial statements may be materially misstated.

*Recommendation* – We recommend that the City review its trial balance at year-end to ensure that all adjustments have been made. All journal entries should also be reviewed and approved before posting.

*Management's Response/Corrective Action Plan (Unaudited)* – City Staff has received training in the proper recording of year end journal entries and will continue implementation of that training in 2008. To that end, an additional checklist has been developed to aid in the year end process. As in Finding 2007-1 above, turnover of staff affected the ability of the department to make further progress in assuming responsibility for year end journal entries. The possibility of receiving additional training prior to the 2008 audit has been discussed and will be utilized if necessary.

*Follow-up* – Significant journal entries were made during the current year audit. In addition, in the current year, there were journal entries being posted to the general ledger that were not being reviewed or approved before they were posted. This significant deficiency is repeated in the current year as Finding 2008-2.